

FINANCIAL PERFORMANCE ANALYSIS OF NEPAL TELECOM

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by

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“FINANCIAL PERFORMANCE ANALYSIS OF NEPAL TELECOM”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Report of Research Committee

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Approval Sheet

We have examined the dissertation entitled “**FINANCIAL PERFORMANCE ANALYSIS OF NEPAL TELECOM**” presented by Aasthadeep Dhakal for the degree of ‘**Master of Business Studies**’ We hereby certify that the dissertation is acceptable for the award of degree.

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Abbreviations

ADSL	Asymmetric Digital Subscriber Line
CA	Current Assets
CAPEX	Capital Expenditure
CR	Current Ratio
DER	Debt-to-Equity Ratio
DPR	Dividend Payout Ratio
EBIT	Earnings Before Interest and Taxes
EPS	Earnings per Share
FCC	Federal Communications Commission
FTTH	Fiber to the Home
GAAP	Generally Accepted Accounting Principles
GSM	Global System for Mobile Communication
IFRS	International Financial Reporting Standards
IPTV	Internet Protocol Television
ITU	International Telecommunication Union
MAN	Metropolitan Area Network
NPM	Net Profit Margin
NT	Nepal Telecom
NTA	Nepal Telecommunications Authority
NTC	Nepal Telecommunications Corporation
PSTN	Public Switched Telephone Network
QR	Quick Ratio
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Shareholder's Equity
UN	United Nations
UTL	United Telecom Limited

WAN

Wide Area Network

Abstract

The paper discusses about financial performance of Nepal Telecom taking data of fifteen years from fiscal year 2065/66 to 2079/80. This mainly focuses on whether the company is in stable financial position or not. This study highly focused on examining the financial performance and economic trend of NTC, analyze trend of the NTC'S financial status and clarify the relation among various financial ratios of an organization. Necessary data and information for the fulfillment of this research have been managed from various online journals, websites and other sources especially from the official website of Nepal telecom. Annual Report and financial statement have been analyzed to collect necessary information. Ratio analysis and trend calculation has been conducted to identify whether the company is in stable financial position or not. Correlation and regression were tabulated and calculated to identify the relation among various chosen variables. The study has found that CR, QR, DER, EPS, ROCE and DPR holds no significant relation with ROA and ROE holds significant relation with ROA. CR, QR, DER and ROCE have no significant relation with NPM and ROE, EPS and DPR holds significant relation with NPM. Although the business of the selected concern is slow, the economic position of the firm is very strong due to the good profits earned in the past. Financial status of company is quite satisfactory. Still there are many things to improve in the coming days for achieving more financial benefit in future. Nepal telecom as a well reputed company should expand digital technology, invest more in network infrastructure, focus on customer's new demand and also should focus on various research and development programs to attract and retain customers. Applying cost-effective technology would be the best option for NTC to achieve maximum with low investment.

Key words: Financial analysis, profitability analysis, Telecommunication Company, Financial indicators, financial position.

Chapter I

Introduction

1.1 Background of the study

The term financial statement analysis can be defined as the procedure of finding out the financial strength and weakness of an organization with the view of clearly maintaining deep association with the items mentioned in balance sheet and statement of income. Financial statement analysis encompasses an evaluation of a corporates performance with the performance of similar nature of firms following the common character of business. Financial analysis is most probably beneficial for understanding the firm's financial condition and also to detect its existing strength and drawbacks. Further, it also suggests recommendations which might allow the firm to perceive advantages of its strengths and fix its weakness. It conducts an evaluation of the constancy, practicability, and cost-effectiveness of an organization or finance related projects. Mostly, financial analysis is performed by the specialists who prepares report calculating ratios and other suitable techniques that results in the use of evidence taken out from financial statements and other essential reports (Mbona & Yusheng, 2019).

The assessment of the firm's financial statement is professed using the techniques of financial indicators. It should be in proper order and have to be designed which helps to imitate all the beneficiary aspect of the financial situation. Thus, to disclose clear picture of the economic situation, financial ratio indicators and statistical methodologies are used. Those indicators permit a proportional judgement of one corporation with that of others or with those for the pertinent area. Financial analysis primarily comprises of contrasting with ancient record, analysis of debt management ratio and interpretation of current, quick and cash ratio.

Financial indicators provided the exact vision and mission of company's situation and effective fallouts in summarized manner. It evaluates the business, projects, budget and other finance related activities. The assessment of company's economic state is usually determined by the proper executing structure of economic factors (Martin S. Fridson, 2022).

Financial analysis of Nepal Telecom normally involves valuation and analysis of periodic statements to understand the financial opportunities and threats and its competitive rank in the contemporary business situation.

Telecommunication

Telecommunications are the majors for electronic transmission of facts and figures over distances. The information could be in the form of voice calls, facts, text, pictures, or video. During these days, telecommunications are mainly used for the purpose of arranging more or less isolated computer systems into advanced telecommunications networks. The range of telecommunications applications is wide and contains telephony and audiovisual conferencing, duplicate, broadcast and interactive television, prompt messaging, mail, distributed teamwork, an information of Web- and Internet-based communication along with data transmission. Telecommunications, which is also popular as broadcasting, is the transformation of accurate evidence over certain targeted fields with the use of digital platform and also states all kind of data, speech, cinematic and audiovisual broadcast. This is a wider form including an extensive variety of technologies conveying information and audiovisual infrastructures. These includes underwired phones; cell-phone, zap communications, satellites, fiber optics, radio broadcasting and small screen broadcasting, telegraphs and the cyberspace (Peyvandi, 2009).

The system of telecommunication is usually run by the companies like telecommunications service providers, who are also popular by the term 'networking service providers. These offerors factually offer phone, interment and other similar telecommunication amenities. These companies now propose for a diverse networking services and WAN facilities along with metropolitan area network (MAN) and other comprehensive services. Telecommunication service provider company were primarily operated and owned by government in most of the countries. But in the present scenario, this is no longer the case. Most of the telecommunication companies have been converted into privately owned enterprises. The International Telecommunication Union (ITU) which is registered as the United Nations (UN) agency which play a vital role in administering the networking and distribution regulations. Though every nation exposes their own public involvement to apply and implement telecommunications guiding principle. In the case of US, the Federal Communications Commission (FCC) is registered as the initial monitoring agency (Christopher T. Marsden, 2018).

Telecommunication companies are the organizations that provide communication services, including voice, data, and video transmission, to individuals, businesses, and other entities. These companies build and operate the infrastructure necessary for transmitting and receiving signals, such as telephone networks, internet backbone networks, and mobile networks (Al-Momani, 2018). Telecommunication service provides telephone services, landline connections and Voice-Over-IP services that allows voice communication over the internet. Telecommunication companies provide internet connectivity, broadband services, and data transmission solutions for businesses and individuals (Joshi, Sarkar, & Dharmani, 2015). Mobile network operators offer cellular services, allowing customers to make calls, send text messages, and access data using mobile devices. Companies provide high-speed internet access through technologies like DSL, cable, fiber-optic, and wireless connections. Telecommunication providers may offer digital television services, including cable television, satellite, and Internet Protocol Television (IPTV). Some telecommunication companies offer cloud-based solutions, including hosting, storage, and software services. In addition to these services, telecommunication companies often provide value-added services like voicemail, caller ID, call waiting, conferencing, messaging services and more. Telecommunication companies invest heavily in building and maintaining communication infrastructure, including network equipment, towers, cables, data centers, and satellite systems. They also engage in research and development to improve network technologies, expand coverage, and offer innovative facilities to meet the evolving desires of their customers. Telecommunication companies operate in a highly regulated industry, with government agencies overseeing aspects such as licensing, spectrum allocation, consumer protection, and competition policies. They face intense competition and strive to differentiate themselves based on network quality, service reliability, pricing, customer support, and innovative offerings (Griffin & Pesch, 2017). Overall, telecommunication companies play a vital role in connecting people and businesses, enabling communication, information exchange, and access to various digital services worldwide.

Profile of Nepal Telecom

Nepal Telecom (NT), also popular as Nepal Door Sanchar Company Limited, is the national telecommunication service provider of Nepal. It is a government owned organization and the leading telecommunications operator in the country. In case of Nepal, telecom service can be seen back to 1973. Lawfully the provision was distributed among users primarily after the formation of MOHAN AKASHWANI in B.S 2005. Afterward, according to first National Five-Year Plan (B.S

2012-2017), Telecommunication Subdivision was recognized in 2016. Nepal Doorsanchar Company Ltd. (Nepali: नेपाल दूरसञ्चार कम्पनी लिमिटेड), prevalently recognized as NTC or Nepal Telecom (Nepali: नेपाल टेलिकम), is a national telecommunications facility benefactor operating all over the country with government share of 91.49%. It was a monopoly company until 2003 when United Telecom Limited (UTL), the first private sector operator began serving basic telephony services. The central office is located at Bhadrakali Plaza, Kathmandu which has huge branches and offices in 184 other locations inside the country (Paudel, Dahal, & Adhikari, 2022).

NTC is only the sponsor of fixed-line service, ISDN service and leased-line services in Nepal. With the entrance of privately owned company NCELL in telephones market during 2005, NTC is no more the sole network service provider in Nepal. Retaining more than 5,000 employees, it achieved success in becoming leader concern in Nepal. It facilitates a nearly 300 phone contacts within several disseminated units of the nation attracting more than 650,000 PSTN lines, nearly 5 million cell phones with extra service of CDMA line as per the report published on July 2011 (Maheshwor Khanal, 2023). Recent data of NTC shows that there exist almost 30 million subscribers of Nepal Telecom services counting all facilities like fixed landline, fiber net CDMA, GSM and other extra networking services. Company also Launched 4G LTE Service starting from January 1st 2017. It became the initial provider in facilitating 4G LTE network (Kandel, 2021).

Next to NTC, Ncell Axiata Limited (formerly called Ncell Private Limited) (in Nepali: एनसेल अजियाट) is another communication service provider operate in Nepal. Ncell became Nepal's another successful telecommunication company, after NTC. The company (NCELL) was founded in 2004 AD. Since its establishment, it has been fully utilizing its capacity in providing telecommunications facilities ever since. It became successful in listing its name in most profitable company in the telecommunication history of Nepal. In addition to increasing revenue, it is able to maintain a high-level service quality along with high customer retention and is playing role as a strong competitor with NTC (Damodar Acharya, 2018).

The journey of Nepal Telecom began from the year 2004 A.D where there was only a single key telecom service provider at the time. Nepal Telecom is still facilitating its customers since the beginning establishing new innovative products and services with the changes in demand and

needs of the customers. Making huge investment in telecommunication sector and challenging with government owned organization was of major risk at the time. Though, the company were able to expand its services and operate a high-quality network in 15 years, it became a leading telecom service operator presenting 2G and 4G mobile communication facility. Addition to this, it has accessed FTTH (Fiber to the Home) services to its customers in minimum possible cost and is still in process of extending its offering to attract and retain large number of customers (Rajendra Kumar Pokhrel, 2022).

Established in 1975, Nepal Telecom has played a crucial role in connecting people across Nepal and facilitating communication services. Nepal Telecom offers fixed-line telephone services for residential and business customers. It allows voice communication over landline connections. Nepal Telecom operates a mobile network under the brand name "Namaste." It provides 2G, 3G, and 4G/LTE mobile services to individuals and businesses across the country. Nepal Telecom has an extensive network coverage that spans across various regions of Nepal, including remote and rural areas. The company continues to expand its coverage and improve network quality to reach more people. Nepal Telecom has invested in building and maintaining a robust telecommunication infrastructure, including telephone exchanges, mobile towers, fiber-optic cables, and data centers. The company has also deployed advanced technologies to enhance network performance and capacity (Niroula & Gyawali, 2021).

Nepal Telecom has been actively involved in expanding broadband internet services in Nepal. It has been deploying fiber-optic cables to deliver high-speed internet connection to different targeted areas like homes, offices, and other educational institutions. Nepal Telecom has been involved in various social initiatives and projects to bridge the digital divide and promote digital inclusion. These initiatives include providing telecommunications services in remote areas, offering discounted tariffs for low-income customers, and supporting educational institutions with connectivity. Nepal Telecom has plans to introduce new technologies, such as 5G, to enhance its service offerings and improve network capabilities. The company aims to provide advanced telecommunications services and contribute to the digital transformation of Nepal. As the national telecommunication service provider, Nepal Telecom holds a special position in connecting the people of our country and driving the growth of telecommunications in country (Ghimire, 2019).

Analyzing NTC's income trends over the previous years can provide intuitions into the company's development. Factors like increasing subscriber base, intensifying services, and variations in pricing strategies can impact income. It's essential to evaluate the revenue arrangement across unlike segments, such as cell-phone, fixed-line, and recording services. Inspecting NTC's profitability is critical for understanding its economic performance. Major indicators to consider comprises of Net Profit Margin, Debt to equity ratio, shareholder's equity, Gross Profit margin, return on assets, earnings per share, return on capital employed and Operating Profit Margin. Linking all listed margins with industrial standards can support in the evaluation of NTC's efficiency and productivity levels (Rawal, 2021).

Various financial indicators can enable a better understanding of NTC's monetary health and economic position. These may include indicators such as current ratio, Net Profit Margin, Debt to equity ratio, shareholder's equity, Gross Profit margin, return on assets, earnings per share, return on capital employed and Operating Profit Margin. These ratios/indicators help evaluate NTC's capability to generate revenue, manage liabilities, and meet short-term requirements. Analyzing NTC's capital expenditure (CAPEX) is vital to understand its proportion of investment in technological and infrastructure advancements. Measuring the ratio of CAPEX to revenue or operating cash flow gives insights into NTC's progression strategies and capabilities for further expansion. Studying NTC's debt ratios along with its liquidity position is vital to understand the company's financial stability. Analyzing the short periodic as well as long periodic debt levels, inflow and outflow of cash and interest coverage ratio can help gauge NTC's potentiality to encounter its financial obligations. Knowing about NTC's marketing position within the Nepalese telecommunications companies is important. Monitoring competitive level and research in marketing trends can help in the evaluation of NTC's potential growth opportunities and positioning (Shrestha & Ale, 2020).

Kathmandu and India had a first telecommunication service at 1913 in the record of telecom network history. But the official phone call was started only later the innovation of Mohan Akashwani in 1948. Previously, as directed by the design articulated in the First National Five-year Plan (1955–1960), the Telecom Subdivision started providing its services since 1959 in various part of the nation. With the great aim of renovating the telecommunications facilities along with enlarging the services, the Telecommunication Department get transformed to the Tele

service Expansion Board. Afterward the formulation of telecommunications Company Law in 1981, it was lawfully recognized as an entirely preserved government firm named Nepal Telecommunications Corporation (NTC) in 1975 with the persistence of facilitating broadcastings services to all the individual residing all over the country. Later, the company was renamed as Nepal Door Sanchar Company Limited after the date 13 April 2004 (Rahaman, 2021).

Nepal Door Sanchar Company Limited popularly recognized as an enumerated corporation under the Corporation Act, 1996. The corporation is still recognizable to the community with its quality service named as Nepal Telecom Corporation (NTC). It is a registered brand. Nepal Telecom Corporation's domination in the communication sector completed with the permission granted for the entrants of private participants into the communication market later the registration and formulation of Nepal Communications Policy. It was covered the by means for liberalization of the telecommunication division in Nepal. Afterward, rapid growth of isolated sector operatives like Ncell, STM Telecommunication Sanchar Pvt. Ltd, United Telecom Limited (UTL), Nepal Satellite and Smart Telecom was established shops in Nepalese telecommunication market (Bajracharya & Maharjan, 2010).

1.2 Statement of the Problem

Nepal Telecom Corporation play a leader's role in providing telecommunication service within Nepalese economy. It facilitates state being a largest public tax paying company. Addition to this, it also offers massive sum of employments which significantly helps nation to improve the employment percentage. Consequently, satisfactory earnings from this organization are not only the substance of Single Corporation itself but is also allied with economy of nation and society at great. All nature of organization heavily depends upon available internal or external facts and information. Hence, without sufficient access of telecommunication service, it is difficult to run any kind of private and public enterprises. Our nation is in the process of moving towards industrialization and automation. Because of this people makes demand of new innovative services and technologies. So, this has become the emerging thoughts in telecommunication industry development to fulfill basic requirements of overall nation both in urban and rural areas. In this context, NTC can realize high demand of communication services with a few markets' competition. Thus, the complication of this research is focused on the valuation of financial evaluation of Nepal Telecom. Study also focuses on analyzing the economic trend of Nepal

Telecom. Furthermore, this study extremely focuses on identifying the correlation within various dependent and independent variables.

Financial analysis of the firm helps to find out the answer of following questions:

- i. What are the trends of NTC's financial condition?
- ii. Is there any relationship among financial performance indicators and profitability position of Nepal Telecom?
- iii. Do financial performance indicators affect profitability position of Nepal Telecom?

1.3 Objectives of the Study

This study is highly concentrated on the financial performance analysis of Nepal Telecom. Therefore, the study is directed towards fulfilling the below mentioned objectives:

- i. To identify the trend of NTC's financial condition.
- ii. To determine the relationship among financial performance indicators and profitability position of Nepal Telecom.
- iii. To analyze the effect of financial performance indicators on profitability position of Nepal Telecom.

1.4 Rationale of the Study

The outcomes and findings of this study report provided a vibrant representation on the financial status of Nepal telecom. Outcome from this study showed the position where NTC stands in the entire telecommunication firm of the nation. It has focused too on providing evidence regarding its involvement on the financial expansion of the country. Even being a single government owned telecommunication organization very rare studies have been made till date. Even scholars, researchers and experts are quite confused conducting financial analysis in telecom sector. Therefore, this study played a guiding role in fulfilling lack of research and investigation in telecommunication sector.

The reality and relationship between management performance, business performance, financial opportunities and threats and compliance with benefits are demarcated as per the defined objectives. This study introduces business management in formulation of essential business policies, making important decisions, utilizing company resources, internal financial management along with strategic decision in using external and internal sources.

The outcome from this study helps top level management to make different financial decision like dividend, bonus, and salary distribution. This also helps shareholders to make investment decision in telecommunication sector. Customers also get insight about financial condition of the service they are using. Additionally, researchers also can get information about company's position for directing additional investigation in future.

1.5 Limitations of the Study

Best possible efforts were made to certify that study is conducted with minimum limitations to achieve the accurate result. However, there we can feel some constraints that fails to validate the research yet made to be accepted.

- i. The proposed research was limited only to one telecommunication company of Nepal.
- ii. The studied was carried out with limited time and budget.
- iii. This study was focused only on financial position of the company.
- iv. Only the data of fifteen years (2065/66-2079/80) was analyzed. So, the result may address only the fact of these periods.
- v. The report focused only on financial performance but not on others. So, performance of another non-financial sector has not be disclosed.
- vi. Difficulty in finding necessary data and information could be another limitation.
- vii. In this research work limited indicators were associated so that the findings from other tools could differ our interpretation.

Chapter II

Literature Review

Literature review offers theoretical rational for the problem statement being studied under this research. This part of thesis is useful in avoiding unnecessary duplication and copy of material. This literature review has been revised from previous studies and findings by various scholars and researcher regarding similar topic. Critical analysis has been conducted to find out the solution and establish research gap. This part of research has been sub divided into different sections:

- Conceptual review
- Review of article and journals
- Review of previous research

Till date lots of research and investigation have been conducted by various researchers which are associated with the financial performance analysis of telecommunication industries.

2.1 Theoretical review

The term financial statement analysis can be better understood as a data processing technique projected to distribute necessary evidence for finalizing decisions, such as the portfolio selection, banking and financial institution offering decision models and commercial financial models (Imo, 2023).

Financial statements can be compared with industry peers or competitors to benchmark presentation. This analysis delivers intuitions into a company's relative financial situation within the industry and also helps identifying sectors where it may be outperforming or underperforming its competitors. Evaluating the statement of cash flow helps measure a business's aptitude to produce currency with proper management. It delivers understandings into the corporation's cash arrivals and discharges, working cash flow, capitalizing activities, and funding activities. Addition to this, Cash flow analysis provides support in determining whether a company has adequate cash to handle its operational needs, investments, and debt obligations (Atukalp, 2023).

The financial analysis of any structural company is a principal matter for each and every single stakeholder connected with an organization particularly for stakeholders, investors and associates. The dimension of the economic condition and wellbeing of a business after the stated reports bounces a qualitative detail of the concern's situation and also accountable for how the firm has

applied its wealth/fund in manufacture process (Yang, 2022). Financial performance analysis comprises of consuming recorded outcomes while preparing financial statement of the company to achieve the quantifiable performance characteristics with the aim of identifying how efficiently the company is using their properties rendering to the judgments prepared by the management team (Brick, 2022).

The important and foremost plan of economic statement study is to direct properties and the monetary health of an institution and also to generate the ideas for the creation of interior management decision. The constant implementation of the formulated plans and policies regarding financial statements are the essential for conducting worthy financial analysis (Nabaraj, 2020).

Financial position analysis performed by means of financial indicators has become frequently used prime method of evaluating business tasks. It is of prime importance for the assessment of a firm's presentation over the years. It is also useful in comparing financial result of own to the other possible players/competitors in the industry. Because of restricted time and schedule to examine the financial indicators of the company and also to provide the insight that these indicators are mostly interrelated, the number of indicators used that are being assessed has to be condensed so that attention is given to some with least loss of facts and figures (Rohmar, 2019).

A financial statement is a prescribed record of the overall financial activities of a business firm. It provides an overview regarding financial presentation, profitability, and financial performance of the entity through a precise period of time, generally a fiscal year. There are four main categories of financial statements: statement of profit and loss, report of equity, cash inflow and outflow statement, and balance sheet. Profit and loss account recapitulates the revenues, expenses, gains, and losses experienced by an organization over a certain period. Income statement helps to disclose the net profit and loss of an organization (Scott, 2018). This indicates how much profit the company has earned within a year. Similarly, economic position represents the state of the corporation in term of finance during certain time period. It discloses assets and properties of an organization which includes cash, inventory, machinery and equipment, etc. It also shows amount of money the company is liable to pay for. Cash flow statement share information related to the arrivals and discharges within a particular date. It categorizes cash flow into three key activities: functional activities (day-to-day activities), investment activities and funding activities. Report of changed in equity summaries the variations in stockholders' equity over a precise period. It

includes evidence about the investment or buyback of shares, bonuses paid, and variations in reserved earnings. These financial statements are usually arranged as per the guideline of Generally Accepted Accounting Principles (GAAP). International Financial Reporting Standards (IFRS) is also tracked to certify consistency, comparability, and accuracy in financial reporting. They are significant tools for assessing the economic well-being and presentation of a company, making investment decisions, and fulfilling regulatory requirements (Suciati, 2017).

Financial statement analysis is the act of evaluating and interpreting the evidence presented in financial statements for assessing the financial performance, productivity, and overall economic state of a firm. It involves scrutinizing the financial reports in detail, comparing them over time or against industry benchmarks, and drawing conclusions to make informed decisions. Some key aspects of financial statement are: financial ratios, cash flow analysis, comparative analysis, trend analysis, common-size analysis and qualitative factors. Ratios are calculated by comparing different financial statement items to deliver perceptions into essential aspects of an institution's performance. Some commonly used ratios or indicators comprise of productivity ratios like net income margin, gross income margin, liquidity ratios like current ratio, quick ratio, solvency ratios like debt-to-equity ratio, interest coverage ratio, and efficiency ratios like inventory turnover, receivables turnover. Computation of these indicators help organization to assess profitability, liquidity, financial stability, and operational efficiency. With the comparison of financial statements over numerous periods, analysts can recognize trends and outlines in an overall financial performance. Such analysis benefits in understanding either the company is improving or deteriorating over time and can highlight potential risks or opportunities (Paul Barnes, 2017).

An analysis of financial situation of an organization can be taken as the foundation for the study and understanding of company's economic performance. It usually moves downward towards primary fields and the result are interpreted on its efficiency, effectiveness, alternation in management, capacity utilization in production process and alike. Interpretation and evaluation of financial performance helps in detection of organizational strength and weakness. It is a tool taken as a health diagnostic which helps in providing crucial information to the owners and management of an organization. Economic status of the company is diverse and complex due to multifaceted phenomenon. This diversity can also be transmitted into the process of economic examination. The users of results agree upon those indicators which need to be selected and which value to use in

various areas of financial evaluation. It depends upon the need, opinion and demand of the researcher. Financial Analysis includes the method in determining company's financial strengths and weaknesses by correlating financial statements (Rahman, 2016).

Financial statements can be converted into common-size statements, where respective line entry is expressed as a proportion of a bottom item. This permits for a better understanding regarding composition and proportion of various elements within the financial statements. In addition to quantitative analysis, it's imperative to reflect qualitative aspects such as industrial dynamic forces, administration quality, competitors' advantages, and market trends. These factors provide a broader context for interpreting the financial statements and understanding the firm's future prospects. Evaluation of financial statement is performed by stockholders, creditors, financial analysts, and other investors to measure the economic health and financial presentation of a company, make investment decisions, determine creditworthiness, and evaluate potential risks and rewards. It helps in gaining insight about strengths and weaknesses of a corporation and assists in making informed financial decisions (Merlino, 2016).

A financial performance analysis can be defined as the collection of data and information in an organized form and maintaining it in logical manner to draw an acceptable conceptual framework. The purpose of conducting financial performance analysis is to convey message concerning economic features of the firm. It discloses the position of a firm from time to time in the form of financial statement. Financial activities performed by the organization over a time are analyzed to draw the opinion regarding company's financial status. It is the degree in which financial tasks will get accomplished to achieve targeted financial objectives. In general, it measures the outcome from firm's operation in term of money. It also measures a firm's overall health for a selected time (Subramanyam, 2014).

With the appliance of prime element analysis techniques, the research summarized some number of variables used for other additional regression analysis through different variables. Similarly, the number of fractions that are essential for financial calculation also has been condensed with only momentous financial indicators for each prime element which is now started being used to analyze the situation of these corporations along with their trade. This research verified that the functioning of a corporation can be analyzed by means of just some indicators or by concentrating on fewer

indicators with characteristics of occupying minimal time gaining more accurate outcomes which have minimum replication of measurement (Beaver, 2011).

Division of telecommunication according to the nature of work was inaugurated in 2016 according to the provision of first five-year periodic plan with an expectation of expansion and growth of telecommunication services. Those departments were renewed into telecommunication board after the tertiary five-year plan (2023-2028) in 2026. Nepal Telecom Corporation (NTC) under the Communication Company Act (2028 B.S.) was recognized as a wholly government preserved corporation along the view of providing communication provision all over Nepal. Under the company act, 2053 Nepal Doorsanchar Company Limited was included in 2061 replacing its corporation's brand name to "Nepal Telecom". Presently, here exist altogether six telecom service earners and five cellular mobile service providers in Nepal registered by NTA (Ubrahimov, 2023).

Though the telecommunication company has far been presented, its modernization and enlargement initiated during the initial 1970s at the time initial stem mark was fitted connecting border nations Nepal and India. Thereafter, the telecommunications industry in Nepal has been changing substantially, with the rise in its geographic area and stem volume stirring with the launch of new services (Whalley, 2016). Regulator of Telecommunication Company in Nepal is NTA, established in 1998. It was established with the main objective for the creation of favorable environment for making the telecommunication system more accessible and reliable to all individuals at acceptable amount. This objective is very broad and clear which helps the socioeconomic development of the entire nation (Maharjan, 2021).

The Nepalese telecommunication industries has been appeared as a crucial segment for the technical expansion and commercial growth of Nepal. Broadcasting sectors holds a leadership role in expansion of multiple facets such as agriculture, schooling, financial institutions, trade, eco-friendly administration, healthcare and liveliness. Enhancement of information technology acts as a leader for socio-economic progress and is also a crucial for nations like Nepal. Telecommunication service started its operation in Nepal as a luxury of Rana Rulers in 1970 (Chalise, 2021).

Since decayed, NTC has covered highest portion of telecommunication marketplace by increasing subscriber base and the telecom companies has also been fascinating a highest venture within and out of Nepal. The telecommunication industry in Nepal has been the backbone for economic

development which is extremely reliant on the network services. Their study, invention along with findings of various technical skills with the present invention of 5G which are jointly functioning on carries out Nepal maximum growth to prepare it for grabbing competitive advantage with the highly advanced nations like USA and China considered as former participants into this marketplace. Their network and data facilities enjoyed serving to network transaction, online messaging, data cloud, IPTV, along with alluring platforms and many similar services reachable at cheap price and rapid speed. The quick growth of the industry's structure is visualizing the hostile growth and expansion of telecommunication industries from previous two decades. The Nepali Telecommunication industry was almost fully monitored by the government over the possession and development of rules and strategies on venture, parts of procedures and fines taken. Yet they unlocked the entrances for newcomers, this company continued monopolization by the government preserved company which have remained involved in competition in maximum market place, finest financial presentation and topmost invention into modern know-hows including 5G network. Since decade ago, Telecommunication Company have surfaced their supremacy by taking over the additional small companies in the business owned by the state as well. This report, hence, pursues to measure the economic presentation of this business since the entrances for exposed rivalry stood unlocked in this sector (Manandhar, 2021).

Nepal Telecom, popular as NTC or Nepal Doorsanchar Company Limited, is listed as the major broadcasting's facility benefactor in Nepal. It is a public company established in 1913 and is the pioneer in the telecommunications industry in Nepal. Nepal Telecom provides various services such as fixed-line telephone, mobile telephony, internet services, and other value-added services. Nepal Telecom suggests a varied range of facilities to its clients, counting landline telephone services, mobile services, internet services, and data services. It provides both prepaid and postpaid mobile services and offers various mobile plans and packages to cater to different customer needs (Sharma, 2021).

The very first telecommunication was started among Kathmandu and India at 1913 in the antiquity of Nepal. However, the official announcement came into operation following the formation of Mohan Akashwani in 1948. Afterward, as the formulation of policy in the early National five-year strategy (1955-1960), the various subdivision to serve various telecommunication services was operated in 1959. To update the telecommunication amenities also with enlarging the services,

throughout the tertiary five-year plan between 1966 to 1970, the division was renewed into Communications Expansion Panel. Further, company was officially recognized as a entirely government owned company by the formulation of Communication Corporation Act 1971 (Jain, 2020).

Nepal Telecom is a state-owned company and its financial performance can vary on different time relying upon many factors like market circumstances, competition, investment in infrastructure, and government policies. In recent years, Nepal Telecom has faced challenges in terms of financial performance and profitability due to factors such as increasing competition in the telecommunications sector, the need for significant investments in network infrastructure expansion, and the influence of the COVID-19 epidemic (Kumar, 2019).

Nepal Telecom operates a GSM network for its mobile services. It provides coverage in major cities, towns, and rural areas across the country. The mobile network supports 2G, 3G, and 4G technologies, allowing customers to access voice, data, and multimedia services. Nepal Telecom provides internet services to both residential and business customers. It offers various types of internet connections, including ADSL, fiber optic, and wireless broadband. The company has been intensifying its fiber optic network to deliver high-range internet connectivity to more areas. Nepal Telecom offers fixed-line telephone services throughout the country. It provides both residential and business landline connections with different tariff plans. The landline network covers major cities, towns, and rural areas. Nepal Telecom offers several value-added services to enhance the customer experience. These include services like caller tunes, missed call alert, voice SMS, conference calling, and more. Nepal Telecom has partnerships with international telecommunications companies, allowing its mobile customers to use their services while traveling abroad. This enables customers to call and receive phone, deliver text and messages, and use data in other countries. Nepal Telecom has been continuously expanding its network infrastructure and upgrading its services. It has been working on the development of 4G coverage and the deployment of 5G network in the future to provide faster and more reliable connectivity for own clients. Nepal Telecom holds a central character in connecting people across Nepal and facilitating communication and internet access in the country. It continues to evolve and adapt to the changing needs of its customers in the rapidly advancing telecommunications industry (Adhikari, 2017).

There are many factors reflecting the changes in telecommunication sector. It is triggered by technological improvement and aggressive rivalry that has been mounted radically since the past years with the need to innovate new services in the sector of telecommunication. These days' telecommunication industries witness dramatic fluctuations at all levels (Raza, 2015).

Nepal Government has shown little concentration on formulation and implementation of telecommunication plans, policies and procedures in Nepal. The range of telecommunication service distribution is very low in Nepal in comparison with other advanced and developed nations. The focused problems related to the enhancement of telecommunication services in Nepal are insufficient financial resources, inadequate technical knowledge and problematic management and administrative system. Some international telecommunication union has made certain contribution for the formation of a training institutions to increase the telecommunication experts in Nepal (Shahin, 2014).

Telecommunication companies required razor-sharp reactions to handle the rapid shifting technologies, innovation and administrative skills. Thus, the alteration in management is a vigorous instrument to be implemented by such industries to keep expansion and progress. As structural deviations were developed often and an obligation for existence, the opposition of staffs in this field has developed a prosperous human resources management role with a first urgency for upper-level management to enhance likelihoods of achievement of various projects related to telecommunications. Nevertheless, handling employees' confrontation to modify wants an actual type of diversification management skills. Change is unavoidable in telecommunication companies these days. Technology advancements, political instabilities, changing customer tastes, cultural changes and globalization are between the aspects continuously convincing telecommunication industries to change (Jaaron, 2014).

2.2 Empirical review

“Financial presentation of Nepal Telecom”. Study highlights the diverse parts of NTC with an objective to examine, interpret and inspect the financial situation of NTC with the use of various tools and techniques. It provides workable suggestion and recommendation to recover company's weakness and support strength. While evaluating the findings of this study it was found that there is good liquidity position in NTC since last decayed. Current assets are superior to current liabilities for a particular fiscal year. Still there is little problem in liquidity management in NTC.

This company is applying similar financial strategy for current assets and current liabilities (Poudel, 2023).

NTC is promoting its business being a highest tax paying company to the government. It also has also been playing dominating role in increasing revenue of the country. Being a decent service facilitator, it is experiencing a huge encounter. The solitary market domination has no more availability among the telecommunication industries. The relivers came out with a lot of challenges to company. The main competitor NCELL, a reputed European international telecommunication corporation, smart telecom, united telecom (UTL), as well as Nepal Satellite Company limited are participating equally in the competition (Pokharel, 2022).

“Recent expansion in the telecommunications area of Nepal”. The main priority of this research is to inspect the contemporary and future predictable use of telecommunication services and also to examine the outline of telecommunication expansion comparing to past performance, contemporary trend and upcoming possibilities. It has found that the state direction has also given high importance for the expansion of telecommunication in each and every sector. The main problem regarding telecommunication companies in Nepal are its slow service, absence of sufficient resources, lack of network information, lack of experts and problematic administrative supervision and control. Foreign aids and credits have occupied a vital position in the development of telecommunication services in Nepal. International telecommunication union supported with training to train people for increasing telecommunication technicians in Nepal (Sah, 2021).

NTC is still playing a leading role being a single government owned telecommunication service providers in Nepal. The expansion and growth of the isolated companies in Nepalese telecommunication marketplace, like Ncell, in the present day is dominating the marketplace. NTC, a foremost top corporation in the field of telecommunication serving impatiently since long periods has guaranteed first class facilities throughout country covering all districts and all local bodies. It is providing the preeminent services to willing customers related to phone calls, network and internet access. The group is occupied for being socially responsible. It is facilitating telephone amenities like GSM, fiber net, CDMA, landline, PSTN, SIP PPP, internet services like Dial-up, ADSL, EVDO, GPRS and extra enjoyable amenities like CRBT, and free ten web SMS. It holds near 4.5% among the nation’s income and is providing an essential facility in expansion of infrastructure and technology (Gautam, 2020).

“Financial planning and regulation: A study of Nepal Telecom”. It explores an existing profit scheduling scheme adopted by NT for the evaluation of diverse actual and targeted variables. It analyzes the gap among actual revenue and budgeted revenue for estimating financial strength of the company. From this study, it has been found that there is no planned control policy and performance. Company is defacing the standard arrangement of reporting presentation, the auctions plan and satisfaction from financial performance (Baniya, 2019).

“Factors manipulating product substituting behavior of customer on communication industry of Nepal”. The highly focused points of this research were the examination of contemporary influencing factor of telecommunication through orientation to its chosen population recent effectiveness & upcoming expansion of services. It also aims to endorse important portion for the promotion of the amenities with orientation to rearrange the tariff system. This research results were the price charges for telephone calls, ISD along with extra supportive services which are judicious, periodic restraint is required but few times agreed with the accessible period is not much satisfactory, the fee charge facilitated by company for the sum of payment through its regular contributor is comparatively small in evaluation to the fee facilitated by banking service. NTC receipts distinct pricelist for the utilization of its services throughout the whole diurnal including morning, sunset and dark time. It collaborates in appropriate delivery of circulation weight with reference to period, recovers the quality of provision & also inspires the minimum salary team for the achievement of telecommunication services (Bharali, 2018).

“Profitability Analysis of Telecommunication Company in Nepal: With Prior Attention to Nepal Telecom Ltd.”. This study aims in examining the current comprehensive system of profit planning applied by NTC. It also highlights functional budget strategies adopted by the company and analyze its financial strength using different financial indicators. The main findings of this study were NTC has no skilled and well-qualified planners. Budget are prepared just for the completion of formalities. It is adequately considering different factors affecting the economic condition of an organization (Thapa, 2018).

Nepal Telecommunication Company (NTC) is listed as leading excise payers in Nepal. It donates higher portion of its income towards Nepalese economy. Since decade NTC is contributing highest portion of tax revenue. It is helping country to improve financial condition through various measures and techniques. It is also supporting nation to connect worldwide and get involved in

international business through telephone and internet services. Telecom service is upgrading the connectivity of the people around the world. This has helped Nepal to cope up easily with emerging trend of globalization (Kushwaha, 2018). Among these all-mentioned amenities, it is accepting innovative skills for satisfying the wish and requirement of the stakeholders. As a supposition, the facilities granted to the clients are acceptable till now. Still there is a requirement for portion of advancement along with continuous collaboration to be made for holding and retaining the present clients' needs and also to fascinate targeted customers from the highly rivalry market as well. Nepal Telecom is holding extra idle cash amount instead of investing it in productive sector. Hence, NTC must identify its optimal balance and excess balance must get financed in some fruitful and profitable segment so that the problem of indolent cash amount will get solved. The liquidity situation of NTC is however acceptable. It is significant for the business to make estimation regarding amount of fund needed to uphold sufficient monetary condition and to utilize the extra idle capitals in wanted safeties or some gainful activities to create expected income. Nepal Telecom as a leading telecommunication facility provider in Nepal is experiencing a high challenge. Entrants of new competitors have challenged the concept of monopoly in telecommunication business. Main competitors include NCELL, smart telecom, united telecom (UTL) and Nepal Satellite Company limited which remain actively participating in the race. Beside mentioned amenities, Telecommunication Company in these days is realizing effective implementation of new innovative technologies for satisfying the wants of the existing customers and attracting new customers (Buckingham, 2015).

The leading telecommunication institutions like NTC and NCELL are realizing competition in the Nepali telecommunication market to be prominent in the ground of telecom business. Investment in promotional activities has been conducted to a countless degree with the purpose to fascinate the clients. Ncell, a private telecommunication company has prepared most of the public Medias like news corporations, radio, television, numerous local Medias as the promotion supporter. Likewise, NTC also apply active methods for promotional activities which helps to make it the leader in telecommunication market. They guarantee and organize almost all of the state and global games and traditional database where there is robust rivalry among two telecommunication companies Ncell and NTC (Sapkota, 2012).

2.3 Research Gap

Rare research has been done on financial performance of NTC after COVID-19 till date by anyone. Entrants of new competitors have challenged the concept of monopoly in telecommunication business. Still, we cannot see any changes or innovation adopted by Nepal telecom to cope up with the challenges. Research and development program for the enrichment of NTC seems very erratic which may hamper the profitability and overall reputation of the company in coming days. The competitive companies like NCELL, a reputed European international company, smart telecom, united telecom (UTL), and Nepal Satellite Corporation limited are participating equally in the competitive battle which distracted the attention of people towards NTC. Researchers are also found interested on comparing NTC with other competitive company and finding out weakness of the company instead of searching for appropriate solution and solve the arising problem. In order to solve this issue, this research has tries to find out the opportunities and threats of NTC and also provide recommendation to further enhance its strength and remove its weakness. Study also focus on finding out positive aspect of the company which helps to find out way that eliminate drawbacks of the company which is not done by other researchers in the past research work. The recommendation provided by this research will be helpful for the company in formulating plans and strategies that helps to improve financial condition of NTC in coming days.

Chapter III

Research Methodology

3.1 Introduction

This study involved the overall strategy, procedures, and instruments employed to gather, analyze, and interpret data in order to attain objectives of the research. The primary concern of this study is to disclose the exact and fair representation of the financial performance of Nepal Telecom. This study also recommended required suggestions for the improvements in the field of finance. Financial analysis of this study identified the strengths, weaknesses, opportunities and threats of an organization properly establishing the Capital-assets relationship. It played a vital character to discover out the fair image of financial presentation of NTC. It presented an information to the organization regarding adaptation of financial plans and strategies of an organization.

For the accomplishment of this study, various journals, articles and books has been collected and studied. Following the quantitative research design, accurate data and information was composed from the financial report of NTC. Data was thoroughly analyzed and interpreted which helped in finding out the desired result. Data of fifteen fiscal year (2065/66-2079/80) was collected and worked on it to draw the conclusion. From among many telecommunication companies in Nepal, NTC was selected as sample due to convenience in data collection. Both descriptive and analytical design was applied in this research which made comfort in data analysis and interpretation.

Research methodology encompasses various stages and components, including: research design, collection of facts and figures, Interpretation of data, rationality and reliability, moral deliberations, writing and reporting. Collection of suitable research procedure is essential for the achievement of organizational goals and vision. Research methodology provides a structured and systematic approach to conducting research. A sound methodology helps maintain consistency, reliability, and validity throughout the research process. Research methodology provides a framework for data analysis and interpretation. Research methodology is important as it offers a structured and organized method to research, enhances the validity and reliability of findings, guides optimal data collection and analysis, ensures ethical considerations, promotes reliability, and contributes to the advancement of knowledge (Snyder, 2019).

3.2 Research Design

A descriptive and casual comparative design was chosen for this study. This study examined the financial situation of Nepal Telecom i.e. assets and liabilities position of the corporation over a precise time period. Hence both descriptive as well as analytical research design is needed to draw accurate result from the study. This study followed a systematic approach to ensure the reliability and validity of the findings. The specific research design chosen rely upon different factors, such as the nature of the research question, the available resources, and the type of data required (Sileyew Kath, 2019).

Descriptive research design was applied for problem identification, conceptual knowledge, suggesting solutions and drawing conclusion. Descriptive research classifies, describes, compares and measures data. Study focused on providing an accurate and detailed account of the research subject without attempting to establish causal relationships or test specific hypotheses. Descriptive research design applied for this study helped to systematically obtain data and information for describing the population, situation or phenomenon. It also helped in answering how, where, when questions mentioned in problem statement (Omair, 2015). Whereas, analytical research design was applied for analyzing the data that has already been collected by others or generated through previous research studies, surveys, government reports, or other sources. Scholars apply numerous statistical or logical techniques to explore the data and extract meaningful information. Analytical approach was used for the evaluation of facts and information collected from various sources which is related to the study being conducted.

3.3 Population and Sample

In total there exist six telecommunication industries functioning their operation in Nepal. They are Nepal Telecom, United Telecom, Ncell, Smart Telecom, Telecom Sanchar and Nepal Satellite Telecom. Therefore, the population of this research includes all these 6 telecommunication companies.

On the other hand, the sample of this study include Nepal Telecom. A government owned Telecommunication Company of Nepal, NTC was selected for this study following a convenience sampling technique. This sampling technique involves selecting individuals who are readily available and convenient to participate in the study. For this research sample was selected based on proximity, accessibility, or availability. Hence, convenient sampling was adopted for this study.

For the easy going of this study, financial data of NTC from last 15 years has been taken as reference from the fiscal year 2065/66 to 2079/80.

3.4 Nature and Sources of Data Collection

Basically, this research study was dependent on secondary data. The annual report of NTC has been used as the major sources of data. Secondary data was collected from the company's website and other required information has been collected from indirect sources like books, journals, articles and reports prepared by other researchers in the past. Company's annual report and its website was taken as the main source for data collection and analysis. This mainly consists of statement of income and statement of financial situation of various year. All other material either published or unpublished related to the study has been referred to gather necessary information. The information gathered for this research has been applied through the process of classification, coding and editing of the available data. Collected data is analyzed and applied in the study using various financial, arithmetic and statistical indicators and techniques.

Although current study is fully dependent on the secondary source however, required suggestions are collected from different experts from the company whenever required. Other necessary data is attained from the official website such as, official website of Nepal Telecom, periodically published balance sheet, income statement and other required financial statement of accounts along with the annual reports of the selected company. However, dependability of the research mainly relies upon the secondary sources.

The key instruments used for the collection of data for this study includes:

- Official site of Nepal Telecom
- Yearly financial statements and available documents of the company
- Interim financial report available in the company's website
- Economic survey
- Phone calls
- Material printed in newspapers, publications or journals
- Numerous research works, articles and papers interrelated with the topic

3.5 Method of Analysis

Quantitative method for data presentation and analysis has been selected for this research study. Necessary facts and figures collected through various sources was deeply analyzed, edited,

classified and compiled according to the requirement of this study. After, the data was presented systematically using appropriate format in the form of table, chart and figures. Statistical and financial instruments was applied to examine the data and draw the findings. Different types of parametric as well as non-parametric statistical tools and financial tools was applied to draw the outcome. Ratio analysis, Trend analysis, correlation and regression analysis was presented in detail along with facts, figures and tables to achieve the targeted purposes of the research.

Mainly two approaches of data analysis are famous for research study namely qualitative method and quantitative method. Qualitative analysis involves interpreting and making sense of qualitative data such as interviews, discussion, observations, questionnaire, or open-ended study answers. Qualitative examination comprises of thematic analysis, content analysis, grounded theory, and discourse analysis. Researchers recognize outlines, themes, and categories in the figures to develop descriptions and generate qualitative insights. Quantitative analysis involves analyzing numerical data using statistical techniques. This can include correlations, regression analysis, factor analysis, or cluster analysis. Quantitative analysis allows researchers to examine relationships between variables, test hypotheses, and identify patterns or trends in the data.

3.6 Data Processing

Statement of profit and loss account, statement of financial position, and statement of cash flow and funds flow of the company for 15 years has been composed for the suitability of this study. After the collection of necessary data and information, it was managed and presented in tabular form using some financial and statistical rules. Whole data are arranged in suitable way and summarized in the specific format. Necessary information and facts have been assembled in one system and further proceeded and concluded according to the requirement of the research. The secondary data has been managed after the tabulation of data for the analytical purpose. Processing data in such method helped to disclose the financial condition of Nepal Telecom in clear and concise manner.

3.7 Analytical Tools used in the Study

The research is highly focused upon analyzing financial situation of NTC. Hence, some of vital financial along with arithmetical tools and methodologies are applied for the examination. Main tool used for finding out the result is use of indicators which begins the quantitative bond between variables mentioned in the financial statements. Analysis of ratio indicators is the mostly used

instrument for the financial analysis. It is also taken as commanding tool for evaluation of company's financial situation. Beside use of financial indicators for conducting analysis, trend analysis and statistical analysis was also conducted to attain the targeted objectives of this study.

3.8 Research framework

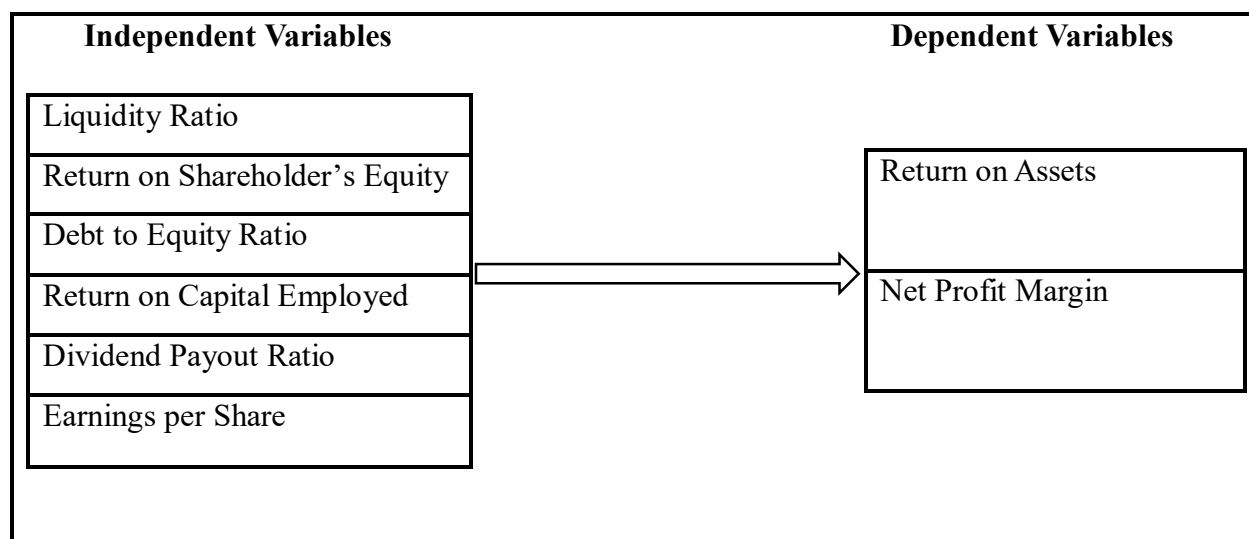


Figure 1. Research Framework

This research is conducted based on the above drawn framework where Return on Assets (ROA) and Net Profit Margin (NPM) are taken as dependent variables and Liquidity Ratio, Return on Shareholder's Equity (ROE), Debt to Equity Ratio (DER), Return on Capital Employed (ROCE), Dividend Payout Ratio (DPR) and Earnings per Share (EPS) are taken as independent variables that contribute a significant character in analyzing the economic trend and position of the selected company.

3.9 Definition of Variables

3.9.1 Liquidity Ratio

A financial indicator which expresses an ability of a firm to clear its immediate liabilities can be understood as liquidity ratio. It is crucial for any kind of business entities to encounter its short period obligations. Liquidity ratio is widely applied by researchers as it helps to determine speed of a company to convert its assets into monetary form and utilize them in clearing dues. There is various type of liquidity ratio. Among them current ratio and quick ratio has been used in this study.

3.9.1.1 Current Ratio

Financial indicator that is used to measure a concern's short-term liquidity position or its capability to meet short-term obligations is defined as current ratio. It monitors the capacity of an institution to make a payment of its current financial obligations utilizing its available resources. This indicator is measured by dividing total current assets with amount of current liabilities. Formula applied for measuring current ratio is: $Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$

Current assets mainly involve cash, cash equivalents, inventories, accounts receivable, and other projected assets that need to be transformed into monetary form within a year or the working series of the corporate, whichever is longer.

Current liabilities are the compulsions or debts remained due for one year or the working cycle. They comprise accounts payable, short-term loans, accumulated expenses, and extra liabilities that compulsorily need to be cleared in the near term.

The current ratio provides a suggestion of a firm's short-term liquidity situation. A calculated result bigger than 1 specifies a higher current asset of the company comparing to ratio of current liabilities, signifying it has sufficient liquidity to encounter its immediate responsibilities. A ratio less than 1 specifies that the corporation may experience huge challenges in matching its immediate requirement.

3.9.1.2 Quick Ratio

The quick ratio is a indicator which evaluates a company's capability in quickly converting liquid assets to cash for paying for its short-term financial responsibilities. A positive ratio indicates the ability of company to survive in financial difficulties or other events which may generate temporary problems of cash flow. This indicator is measured separating quick assets by current liabilities where, quick assets can be obtained by subtracting inventory and prepaid expenses from current assets. Formula used for diving quick ratio is: $Quick\ Ratio = \frac{Quick\ Assets}{Current\ Liabilities}$

Where,

Quick Assets= Current Assets- Inventory- Prepaid expenses

3.9.2 Return on shareholder's equity

Indicator used to measure the effectiveness and proficiency of a firm in producing revenues on behalf of its stakeholders can be defined as Return on shareholders' Equity (ROE). It assesses the

profitability of the firm's equity capital, which represents the funds generated through shareholders.

The formula for calculating Return on Shareholders' Equity is: $ROE = \frac{\text{Net Income}}{\text{Shareholder's Equity}} * 100$

Net income in the formula denotes the revenue earned by the firm after eliminating all related expenses, liable tax amount, and interest. It is the bottom-line profit available to shareholders.

Shareholders' Equity, recognized as stockholders' equity or net worth, signifies the remaining interest in the firm's assets after subtracting liabilities. It comprises the preliminary capital investments by stockholders plus any additional capital contributed and retained earnings accumulated over time.

3.9.3 Debt to Equity Ratio

An indicator which gives insight about amount of debt compared with assets of a firm is defined as Debt-to-Equity Ratio or D/E ratio. Ratio can be obtained by dividing the total amount of debt of a company by its total amount of shareholder's equity. maximum D/E ratio specifies that corporation is experiencing harder time in covering its liabilities. Generally, around 1 to 1.5 debt to equity ratio is considered good. However, ideal ratio will vary according to the financial condition of the industry. Some industry uses more amount of debt than equity for its regular operation than other companies. Debt to Equity Ratio is measured using formula: $D/E =$

$$\frac{\text{Total Debt}}{\text{Total Shareholder's Equity}}$$

3.9.4 Earnings per Share

An indicator which is mostly used to measure the earnings of a firm on a individual shareholder basis can be understood as Earnings per Share (EPS). It indicates the amount of income earned by the company for each outstanding share of common stock. EPS is an extensively followed metric by stockholders and experts to assess a business's profitability and to compare its financial performance over time or against other companies.

The formula for calculating EPS is: $EPS = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Average number of outstanding shares}}$

Net Income denotes the company's revenue after removing all expenditures, duties, taxes, and interest. It is the bottom-line profit available to shareholders.

Preferred Dividends refer to the dividend payments made to preferred shareholders, if any. Preferred shareholders occupy higher priority in comparison to common shareholders in receiving dividends.

Average figure of Outstanding Shares is the average number of outstanding shares during a certain time period. This figure considers any adjustments made to the number of shares owing to stock splits, stock repurchases, or stock issuances during the period.

EPS reflects the profitability earned by a company on the basis of number of individual shareholders, permitting stockholders for the assessment of company's earnings relative to the number of shares they hold. A higher EPS indicates higher profitability and suggests that the firm is making maximum earnings per share. On the contrary, a lesser EPS advises lower profitability or a dilution of earnings if the number of shares has increased significantly.

3.9.5 Return on Capital Employed

An indicator mostly used to measure the effectiveness and proficiency of a firm's capital reserves can be defined as Return on Capital Employed (ROCE). It evaluates how successfully a firm generates profits from the money invested in its operations, counting both equity and debt.

The formula for calculating return on capital employed is: $ROCE = \frac{\text{Operating Profit}}{\text{Capital Employed}} * 100$

Operating profit represents the income earned without interest and taxes or earnings from core operations. It indicates the profit made from the corporation's prime business activities, without income and expenses which are not in operation.

Capital Employed is the entire capital devoted in the firm's operations and is intended as the amount of equity and long-term debt. It represents the funds used to finance the company's assets and operations.

3.9.6 Dividend Payout Ratio

Dividend payout ratio is an indicator which helps in indicating ratio of company's income circulated with the company's stockholders as dividend. To calculate Dividend Payout Ratio, total amount of dividend of the business by its total net income. Formula to calculate dividend payout

ratio is: $DPR = \frac{\text{Dividend Payout Ratio}}{\text{Net Income}}$

The calculated result can be expressed as percentage. It delivers awareness about the proportion of the corporate's incomes being distributed to stakeholders in the form of dividend. This obtained

result can be used for analyzing and comparing with other industry peers. It also can be used to assess the sustainability of the dividend policy.

3.9.7 Net Profit Margin

An indicator used for the analysis of profitability and efficiency of a business's operations by articulating its net revenue as a proportion of its income is defined as Return on Capital Employed (ROCE). It provides understandings into how successfully a firm is generating profits from its sales after accounting for all expenditures, including operating costs, taxes, interest, and non-operating items.

The formula applied for calculating net profit margin is: $NPM = \frac{\text{Net Profit}}{\text{Revenue}} * 100$

Net profit is obtained after subtracting all expenditures from the corporation's total income. It represents the volume of profit earned per amount of revenue.

Revenue, also known as sales or total income, represents the entire sum of money generated by a firm through its primary operations.

3.9.8 Return on Assets

An indicator used to identify a firm's profitability in relation to its total assets is known as Return on Assets (ROA). It assesses efficiency of a firm in utilizing its overall assets in producing profit.

The formula for calculating Return on Assets is: $ROA = \frac{\text{Net Income}}{\text{Average Total Assets}} * 100$

Net Income represents the firm's income after subtracting all expenditures, taxes, and interest. It is the bottom-line profit available to the company.

Average Total Assets describes the average worth of the concern's total assets for a precise period. This number takes into account any changes in assets during the period, such as additions or disposals.

ROA reflects the corporation's capability in generating profit comparative to its total assets. This specifies how professionally the company uses its assets to create maximum possible earnings. A higher ROA indicates better efficiency in generating incomes from the assets, but a lesser ROA advises lower profitability or incompetence in utilizing assets.

3.10 Statistical Analysis

This research applies some statistical tools and techniques for easiness in conducting required financial examination. Facts and figures related to any evidence is identical to people,

manufacture, profit, sales, or any added quantitative figure. With this sense, statistics is considered as synonym with the facts and figures. Statistical analysis is a way to deal with the quantitative, facts, figures and information. The statistical tools applied in this research includes:

Correlation Analysis

Regression Analysis

3.10.1 Correlation Analysis

Analysis which is considered as the statistical tools and techniques which is generally applied to discuss regarding variable related to each other is called correlation analysis. The relationship between two variables is usually supposed to be a linear one. Correlation study also can be applied as aggregation with regression analysis. This explains how fine the variations of independent variable is explained by the regression analysis. This analysis helps to regulate the strength of the connection between two or more factors.

For correlation analysis, there must be two variables and must have some effective relationship. Variables must be either positively or negatively correlated. Correlation analysis is not possible without relationship between two variables. However, correlation itself doesn't explain regarding characteristics and types of association among variables. Regression analysis is done to explain the positive or negative relationship among variables.

Lots of mathematical as well as statistical measures can be applied to calculate correlation. Idea generated by Carl Pearson, which is recognized as Pearson's co-efficient of correlation is the measure which is mostly used. It helps in the measurement of portion of relationship among two variables, X and Y which is symbolically denoted by 'r'. The method used during the computation of Pearson Correlation; r' can be expressed as:

$$r = \frac{COV(XY)}{\sqrt{VAR(X)VAR(Y)}}$$

$$r = \frac{N\Sigma XY - \Sigma X \Sigma Y}{\sqrt{[N\Sigma X^2 - (\Sigma X)^2][N\Sigma Y^2 - (\Sigma Y)^2]}}$$

Where, X= variable X's value

Y= variable Y's value

The degree of correlation between variables gained by the using above mentioned method will always range from +1 to -1.

If 'r' value ranges from 0 to 1, it indicates positive correlation among variables.

If 'r' value ranges below 0 to -1 it indicates negative correlation among variables.

If 'r' values equal 0, it indicates no relationship among variables i.e: the variables are independent of each other.

Value of 'r' closer to +1 and -1 indicates solid relationship within chosen variables

Value of 'r' near to 0 indicates slight relationship among variables.

The accurate explanation of calculated value of 'r' vary on the selection of sample size among the other variables. Small figure of sample discloses no consistency in findings. So, to remove this problem of less reliable result, test of statistical significance is required before confidentiality inference.

Probable Error: the probable error of the co-efficient of correlation aids in the interpretation of obtained result. It helps to identify the consistency of the coefficient depending upon the condition of random sampling. Formula used for the calculation of probable error of the correlation is: P. E.

$$r = 0.6745 \times (1-r^2)$$

Where r denotes coefficient of correlation and n denotes sum of sets of variables.

Interpretation:

Lower value of r in comparison to Probable Error indicates any specific signal of correlation. This means, value of r is not significant.

6th times higher value of r in comparison to that of Probable Error indicates certain degree of association between variables.

3.10.2 Regression Analysis

Method of statistics expressing the degree of relation among various dependent and independent factors, specially expressed in the form of figure is regression analysis. This is used to disclose relation among dependent variables against independent variables. Regression analysis clearly directs cause and effect relationship than by the correlation. Regression analysis mostly identified as a mathematical measurement of the average relationship among different variables. There are dependent as well as independent variables applied for the calculation of this analysis. The variable which value influences with the changes in value of other variables is dependent variables. The variables whose value doesn't influences with the changes in value of other variables is

independent variables. Dependent variables are also recognized as clarified variable whereas, independent variable is also known by forecaster or descriptive variables.

3.10.3 Lines of Regression

There occurs strong association among different dependent and independent factors. The points drawn in the figure shows some level of concentration near to a curve which is recognized as an arc of regression. If there is a linear line in a curve, it is recognized as a regression line and relation among those variables is known to be linear regression.

It describes the line which best evaluate the value of one dependent variables with the specified value of another dependent variables. Thus, line of regression is recognized as the line of best fit. Having two variables draws two different regression lines. Diminishing square of error equivalent to y-axis stretches the calculation of Y on X of the line of regression and minimizing square of error equivalent to x-axis stretches the equation of X on Y of the line of regression.

Regression Equation of Y on X

It is the straight line which best estimate the value of Y for any specific values of X. it is presented as:

$$Y = a + b \cdot X \dots\dots\dots (I)$$

In the above equation, Y denotes value of dependent variable, X denotes values of independent variables, a indicates line of intercept and b indicates slope of line (calculate the average variance in value of Y with just one-unit variance in amount of X. It measures the rate of relationship between dependent and independent variables).

Value for factors 'a' and 'b' can be withdrawn by cracking the below equation.

$$Y = n a + b \sum X \dots\dots\dots (ii)$$

$$\sum XY = a \sum X + b \sum X^2 \dots\dots\dots (iii)$$

Solving equation (ii) and (iii), we can determine the value of constant 'a' and 'b' and by replacing those results in equation (i), we can generate regression equation of Y on X.

Chapter-IV

Results and Discussion

Chapter IV of this research gives main focus on the financial condition evaluation of Nepal Telecom. The system and procedures applied for the purpose of company's financial performance analysis have already been debated in the research methodology. Some financial and arithmetical methods was applied for the accurate financial evaluation. Financial tools contain analysis of ratio indicators among several variables. Analysis of statistical data includes correlation and regression analysis among various dependent and independent variables. The study is directed by presenting the data and financial ratios which directly reflects the relationship between different variables that affects financial performance.

4.1 Financial Analysis

The financial analysis in this research began with the short indication of financial presentation of the firm. Various tools used for the analysis of data are mentioned below:

- Ratio Analysis
- Trend Analysis
- Correlation and Regression Analysis

4.1.1 Ratio and trend analysis

4.1.1.1 Liquidity Ratio

Liquidity ratio is mainly applied for making judgment regarding the organizational capability to encounter its immediate responsibilities. Such indicators are the assessment of instant commitment with the accessible properties and are analyzed calculating indicators current and quick ratio. This helps in identifying short period economic advantage of an organization.

Current Ratio (CR)

Current Ratio expresses the association among current assets as well as current liabilities. The 2:1 standard is used for the current ratio. From the corporate's viewpoint, a higher current ratio indicates sound liquidity position of an organization. But excess current ratio indicates higher amount of inactive fund capitalized in current assets.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table 1
Calculation of Current Ratio and its straight-line trend equation

Fiscal Year	Current Assets	Current Liabilities	Current Ratio	Straight Line Trends
2065/66	28837295200	16431232159	1.75	1.71
2066/67	35015364086	21354300623	1.64	1.69
2067/68	76021558762	44941655199	1.69	1.67
2068/69	53256151230	30757853131	1.73	1.65
2069/70	58984268977	32077703351	1.83	1.62
2070/71	50492127685	42995015926	1.17	1.60
2071/72	45056014593	25368084725	1.77	1.58
2072/73	62494757559	55448968344	1.13	1.55
2073/74	54149391222	33128721470	1.63	1.53
2074/75	58361996725	31769779470	1.83	1.51
2075/76	66891234673	45415204114	1.47	1.49
2076/77	58485305597	33548034827	1.74	1.47
2077/78	55130760	36310980	1.51	1.45
2078/79	65833235	46820018	1.40	1.43
2079/80	66344442	56370546	1.18	1.40
Average Current Ratio				1.56

Source. Annual Report of Nepal Telecom

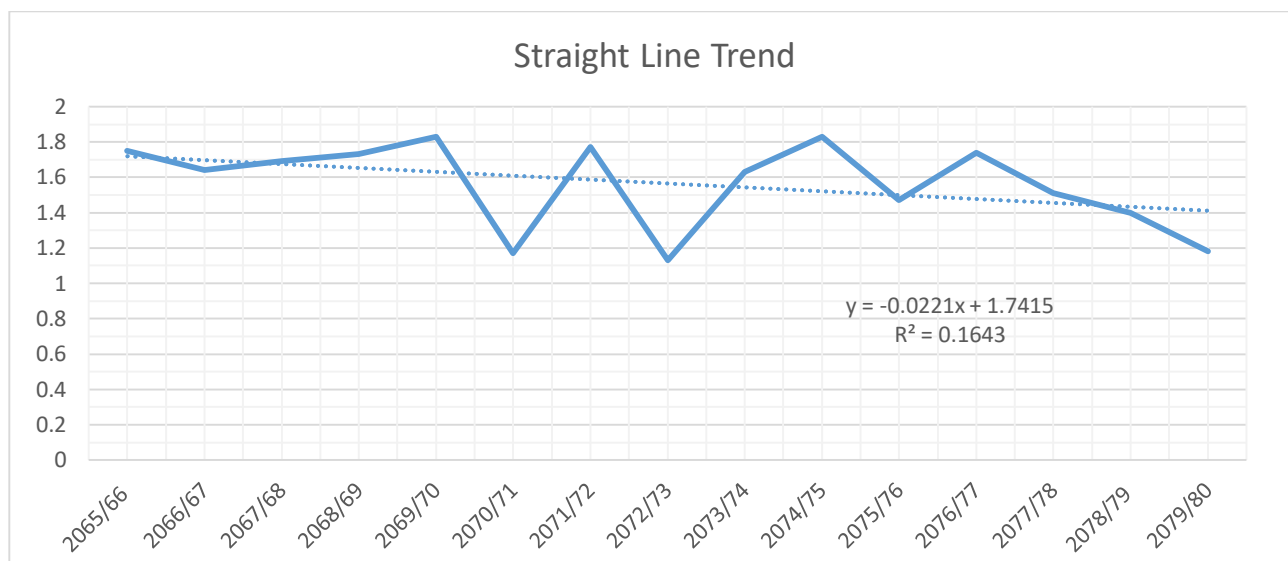


Figure 2. Straight line trend equation from Current Assets

Here,

$$R^2 = 0.1643$$

Ratio's Straight-Line Trend: $\hat{Y} = 1.7415 - 0.0221(X)$

Value Straight Line Trend:

If $X=16$, $\hat{Y} = 1.3879$, i.e. Estimated Current Ratio for coming year (2080/81)

Where, $Y =$ Current Ratio estimation

$$X = \text{Time measurement when base year } 2065/66 = 1$$

Table 1 displays 1.56 times average Current Ratio during the period. The average value of 1.56 indicates that for every rupee of current liabilities there is 1.56 Rs of current assets. From the data analysis it can be assumed that NTC is capable to pay out its Current Liabilities as required.

It lies between highest Current Ratio 1.83 times in F/Y 2012/13 and 2017/18 and lowest Current Ratio 1.17 times in F/Y 2013/14. There is fluctuation in overall ratio trend which doesn't give any clear direction.

Analyzing the actual trend, Current Ratio seems to be slightly stable over time. Sound liquidity position of an organization can be seen from the fitted trend line. If the trend goes on by the same way, the ratio for the coming fiscal year 2080/81 will be 1.3879 which is lower than the average ratio. It indicates that in the coming fiscal year, company's current assets will be 1.3815 times of its current liabilities.

Quick Ratio/Acid Test Ratio

Drawback of current ratio is repealed by quick ratio by providing information regarding arrangement of current assets of the company. This Ratio converts fund directly at a quick notice without any reduction of values. Inventory and prepaid expenses from Current Assets are deducted and total is divided by Current Liabilities for the calculation of Quick Ratio. Mostly 1:1 standard is used for Quick Ratio. Anyhow, it can also be defined as per the nature of organization.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Where,

Quick Assets= Current Assets- Inventory

Table 2

Calculation of Quick Ratio and its straight-line trend equation

Fiscal Year	Current Assets	Inventory	Quick Assets	Current Liabilities	Quick Ratio	Straight Line Trends
2065/66	28837295200	180131603	28657163597	16431232159	1.744067	1.68
2066/67	35015364086	172271922	34843092164	21354300623	1.631666	1.65
2067/68	76021558762	958052566	75063506196	44941655199	1.670243	1.64
2068/69	53256151230	1049688996	52206462234	30757853131	1.697338	1.62
2069/70	58984268977	1385963902	57598305075	32077703351	1.795587	1.6
2070/71	50492127685	508861884	49983265801	42995015926	1.162536	1.58
2071/72	45056014593	1274814918	43781199675	25368084725	1.725838	1.56
2072/73	62494757559	887468615	61607288944	55448968344	1.111063	1.54
2073/74	54149391222	486783390	53662607832	33128721470	1.619821	1.52
2074/75	58361996725	327484443	58034512282	31769779470	1.826721	1.50
2075/76	66891234673	226399780	66664834893	45415204114	1.467897	1.48
2076/77	58485305597	297298994	58188006603	33548034827	1.734468	1.46
2077/78	55130760	134949	54995811	36310980	1.514578	1.44
2078/79	65833235	341109	65492126	46820018	1.398806	1.42
2079/80	66344442	695082	65649360	56370546	1.164604	1.40
Average Quick Ratio					1.551016	

Source. Annual Report of Nepal Telecom

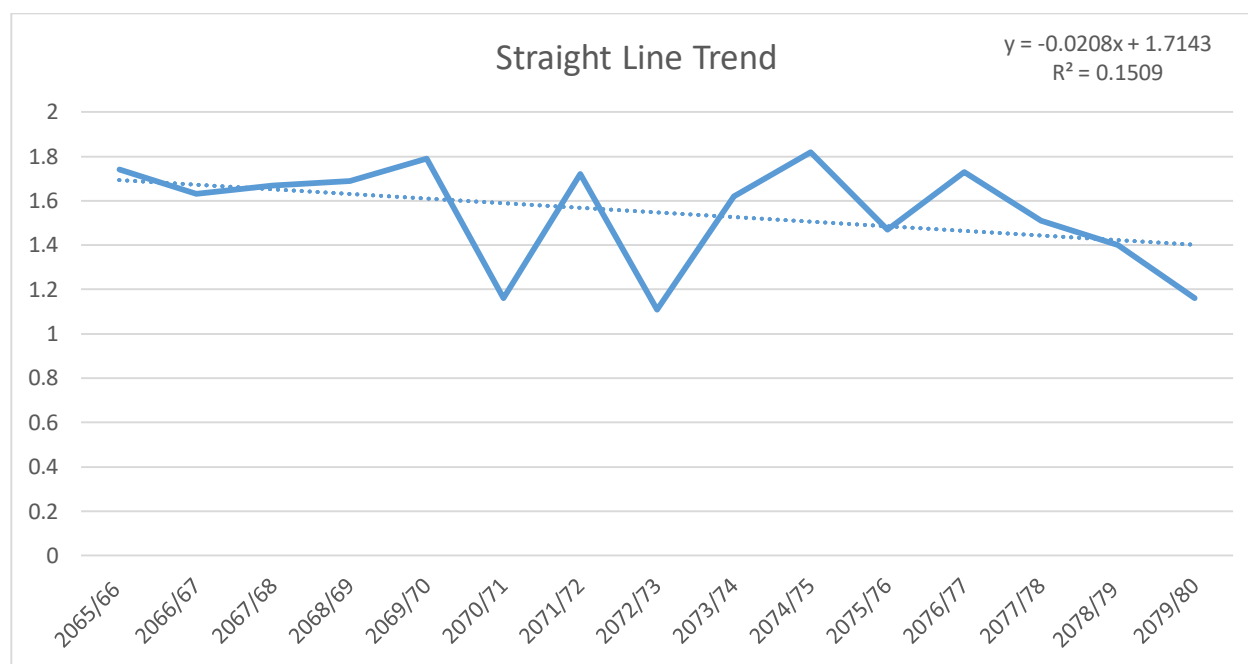


Figure 3. Straight line trend equation from Quick Assets

Here,

$$R^2 = 0.1509$$

Ratio's Straight-Line Trend is: $Y = 1.7143 - 0.0208(X)$

Value of Straight-Line Trend:

If $X = 16$, $Y = 1.3815$, i.e. Estimated Quick Ratio for coming year (2080/81)

Where, $Y =$ Quick Ratio's estimation

$$X = \text{time measurement when base year } 2065/66 = 1$$

Table 2 finds out that during the chosen time period, average quick ratio is 1.55 times. The average ratio 1.55 indicates for each amount of Current Liabilities, there is Rs 1.56 of quick assets. From the data analysis it is visible that NTC is capable to make necessary payment out its Current Liabilities as required. In comparison to average Current Assets of 1.56, we can realize a slight difference between these ratios. This indicates that inventory has occupied minimal area as a portion of Current Assets in Nepal Telecom. With this aspect, we can decide that NTC holds satisfactory liquidity position for the fulfillment of its current obligations whenever they become due. It lies between highest Quick Ratio 1.83 times during F/Y 2017/18 and lowest Quick Ratio 1.11 times during F/Y 2015/16. There is fluctuation in overall ratio trend which doesn't give any clear direction.

Analyzing the actual trend, Quick Ratio seems to be slightly stable over time. Sound liquidity position of an organization can be seen from the fitted trend line. If the trend goes on by the same way, the ratio for the coming fiscal year 2080/81 will be 1.3815 which is lower than the average ratio. It indicates that in the coming fiscal year, company's quick assets will be 1.3815 times of its current liabilities.

4.1.1.2 Return on Shareholder's Equity

Table 3

Calculation of Return on Shareholder's Equity and its straight-line trend equation

Fiscal Year	Net Income	Average Total Equity	Return on Shareholder's Equity	Straight Line Trends
2065/66	13,633,989,872	51,565,771,074	0.2644	0.27
2066/67	10,775,154,258	44,397,009,716	0.2427	0.255
2067/68	12,120,298,794	50,522,295,932	0.2399	0.24
2068/69	11,605,269,582	49,468,327,289	0.2346	0.23
2069/70	11,299,175,997	53,626,843,840	0.2107	0.21
2070/71	11,553,724,269	64,243,948,556	0.201	0.20
2071/72	13,872,722,801	85,460,707,020	0.2159	0.18
2072/73	12,157,189,234	93,068,872,047	0.1423	0.17
2073/74	15,016,834,931	98,474,723,657	0.1614	0.15
2074/75	15,667,500,527	101,731,701,875	0.1591	0.14
2075/76	10,208,168,450	93,138,204,471	0.1003	0.135
2076/77	8,559,580,739	96,760,000	0.0919	0.12
2077/78	7,456,062	95,172,619	0.077	0.09
2078/79	8,380,089	93,902,044	0.088	0.08
2079/80	7,804,527	64,243,948,556	0.0832	0.07
Average Return on Shareholder's Equity			0.16749	

Source. Annual Report of Nepal Telecom

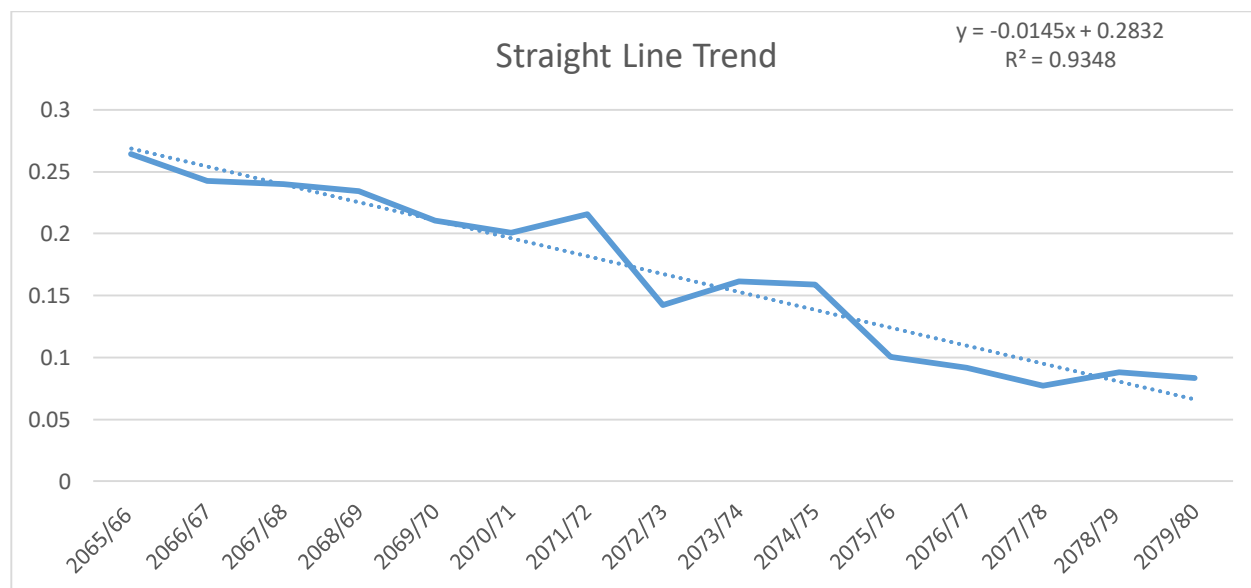


Figure 4. Straight line trend equation from Return on Shareholder's Equity

$$R^2 = 0.9348$$

$$\text{Ratio's Straight-Line Trend: } Y = 0.2832 - 0.0145(X)$$

Value of Straight-Line Trend:

If $X=16$, $Y = 0.0512$, i.e. Estimated Return on Shareholder's Equity for next year (2080/81)

Where, $Y =$ expected value from the Return on Shareholder's Equity

$X =$ time measurement when base year 2065/66 = 1

Table 3 expresses Return on Shareholder's Equity of NTC for fifteen years. The average value of Return on Shareholder's Equity is calculated to be 0.16749 during the study period. The average ratio 0.16749(16.75%) indicates good return as equity ratio between 15% to 20% is considered good to the organization. The maximum ROE is found in FY 2065/66 i.e. 26.44%. We can analyze decline in shareholders' equity over the year. The lowest ROE is found in FY 2077/78 i.e. 7.7%. This has found to be the lowest since F/Y 2065. From these data we can depict that NTC is slightly unable in properly utilizing its available assets for generating profit and failed to distribute satisfied return to its shareholders since years.

Straight line trend shows decreasing trend in Return on Shareholder's Equity of the company. If the trend goes on declining by the same portion, the ratio for the coming fiscal year 2080/81 will be 5.12 percent which is lower than the average ratio. Inability to utilize its financial resources could be the major reason for continuous decline in shareholders' equity.

4.1.1.3 Debt to Equity Ratio

Table 4

Calculation of Debt-to-Equity Ratio and its straight-line trend equation

Fiscal Year	Total Debt	Total Shareholder's Equity	Debt to Equity Ratio	Straight Line Trends
2065/66	3,003,259	41,629,022	0.091	0.118
2066/67	7,606,097	47,149,599	0.161	0.1116
2067/68	5,019,367	53,893,887	0.093	0.1052
2068/69	4,596,092	49,474,560	0.0928	0.0988
2069/70	6,422,498	53,635,694	0.1197	0.0924
2070/71	5,422,498	57,476,727	0.0943	0.086
2071/72	4,299,732	80,998,443	0.053	0.0796
2072/73	3,697,657	86,032,653	0.043	0.0732
2073/74	5,218,373	91,333,674	0.057	0.0668
2074/75	3,493,137	99,662,586	0.035	0.0604
2075/76	4,906,323	91,912,367	0.053	0.054
2076/77	3,648,927	99,952,627	0.037	0.0476
2077/78	3,787,767	89,683,756	0.0422	0.0412
2078/79	3,609,421	91,632,673	0.0394	0.0348
2079/80	3,793,981	78,324,926	0.0484	0.0284
Average Debt to Equity Ratio			0.070653	

Source. Annual Report of Nepal Telecom

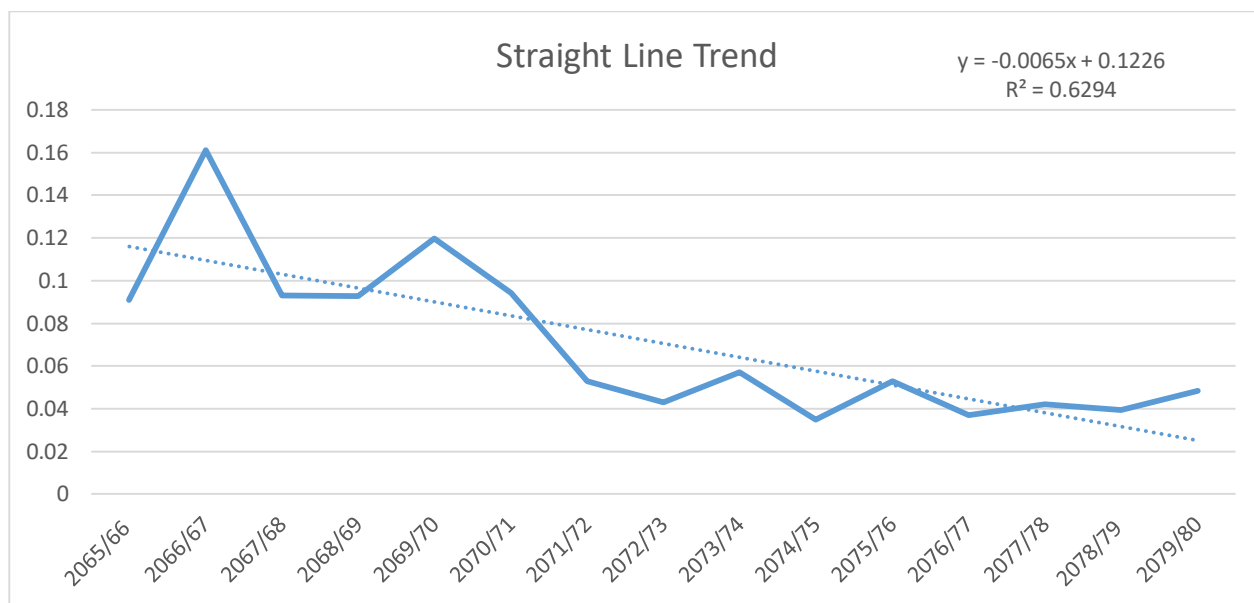


Figure 5. Straight line trend equation from Debt-to-Equity Ratio

$$R^2 = 0.6294$$

Ratio's Straight-Line Trend is: $Y = 0.1226 - 0.0065(X)$

Value of Straight-Line Trend:

If $X = 16$, $Y = 0.0186$, i.e. next year's estimated Debt to Equity Ratio (2080/81)

Where, Y = expected value of Debt-to-Equity Ratio

X = time measurement when base year 2065/66 = 1

Table 4 shows the Debt-to-Equity ratio of the fiscal year 2065/66 to 2079/80. Table discloses fluctuating Debt to equity Ratio of NTC every year. The average Debt-to-Equity ratio is 0.071 which indicates comparatively low debt level of company compared to that of equity in a capital structure. The average of the ratio is much lower in comparison to the general industry average of 1.5:1. Fiscal Year 2066/67 shows higher ratio of 0.161 which is higher than the average. It shows high debt level of company in comparison to other Fiscal Year. Fiscal Year 2074/75 shows lower ratio of 0.035 which is lower than the average. It shows low debt level of company in comparison to other Fiscal Year which is highly satisfied.

The declining straight-line trend by 0.0064 times per year indicates that company is relying less on debt financing and holds low financial risk. Lower debt ratio of an organization contributes to the better financial stability. Decline in straight line trend over the period has primarily caused Debt to Equity Ratio to further decline by the coming year. If the ratio goes on following the same

trend, the this ratio for the coming fiscal year will result to 1.86 percent. This indicates company uses lowest portion of debt for organizational operations in comparison to its equity.

4.1.1.4 Return on Capital Employed

Table 5

Calculation of Return on Capital Employed and its straight-line trend equation

Fiscal Year	Return on Capital Employed	Straight Line Trends
2065/66	24.94	23
2066/67	21.82	23
2067/68	16.77	22.33333
2068/69	15.46	21.66667
2069/70	25.12	21
2070/71	23.93	20.33333
2071/72	15.21	19.66667
2072/73	17.98	19
2073/74	16.26	18.33333
2074/75	16.83	17.66667
2075/76	17.54	17
2076/77	8.46	16.33333
2077/78	14.43	15.66667
2078/79	15.22	15
2079/80	15.21	14.33333
Average return on Capital Employed		17.67867

Source. Annual Report of Nepal Telecom

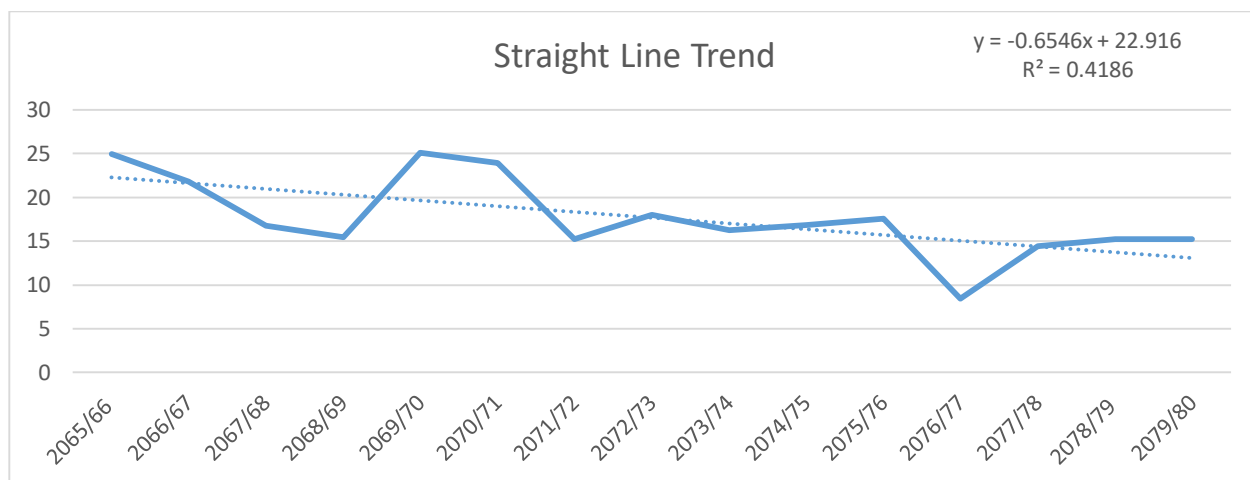


Figure 6. Straight line trend equation from Return on Capital Employed

$$R^2 = 0.4186$$

$$\text{Ratio's Straight-Line Trend: } Y = 22.916 - 0.6546(X)$$

Value of Straight-Line Trend:

If $X=16$, $Y= 12.4424$, i.e. Estimated Return on Capital Employed for next year (2080/81)

Where, Y = estimated value of the Return on Capital Employed

X = time measurement when base year 2065/66 = 1

Table 5 explores the average ROCE of Nepal Telecom from F/Y 2065/66 to 2079/80 is 17.68 percent. The average Ratio 17.68 percent specifies per amount of durable cash utilized for the operation of company is making after tax profit of 17.68 paisa. Fiscal Year 2069/70 gives higher return in comparison to other whose ratio is 25.12 percent which is higher than the average ratio. On the other hand, Fiscal Year 2076/77 shows lowest return of 8.46 percent which is inferior than the normal ratio.

The trend of Straight-Line calculated using the standard method of least square shows a deteriorating portion of 0.0667 or 6.67 percent every year. If this Ratio follows the same trend in the coming fiscal years, it can be assumed that return on capital employed of the company will decline gradually following the trend and reach to 12.44% which is lower by 5.24%.

4.1.1.5 Dividend Payout Ratio

Table 6

Calculation of Dividend Payout Ratio and its straight-line trend equation

Fiscal Year	Dividend Payout Ratio	Straight Line Trends
2065/66	0.21	0.21
2066/67	0.13	0.22
2067/68	0.15	0.23
2068/69	0.3	0.24
2069/70	0.31	0.25
2070/71	0.36	0.255
2071/72	0.26	0.26
2072/73	0.18	0.27
2073/74	0.21	0.28
2074/75	0.4	0.29
2075/76	0.35	0.3
2076/77	0.25	0.305
2077/78	0.3	0.31
2078/79	0.32	0.32
2079/80	0.26	0.33
Average	Dividend Payout Ratio	0.266

Source. Annual Report of Nepal Telecom

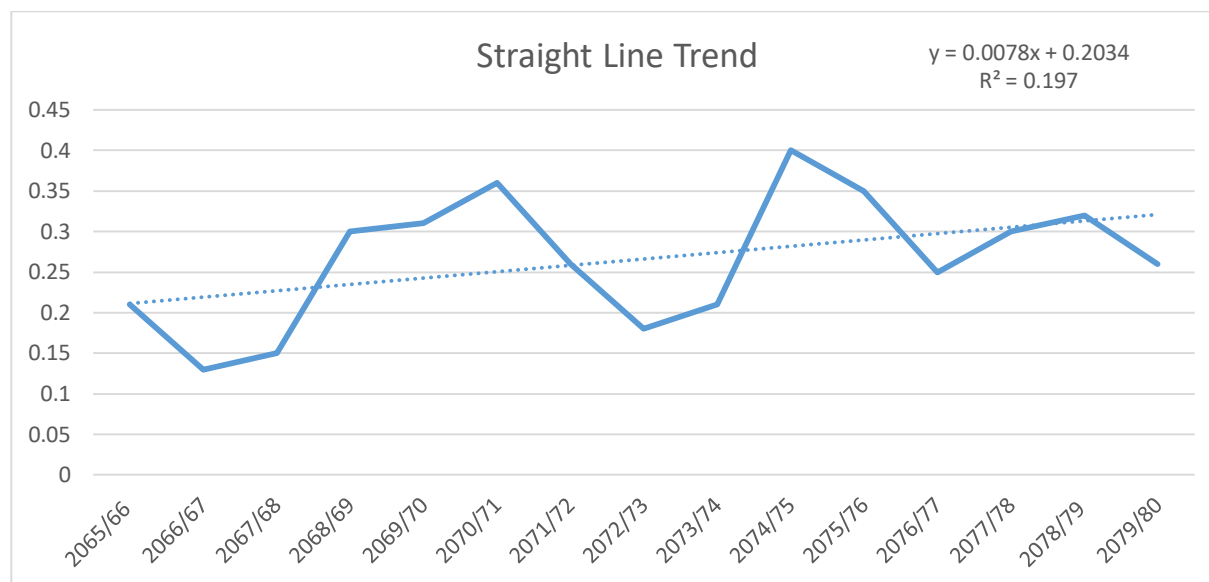


Figure 7. Straight line trend equation from Dividend Payout Ratio

$$R^2 = 0.197$$

$$\text{Ratio's Straight-Line Trend: } Y = 0.2034 + 0.0078(X)$$

Value of Straight-Line Trend:

If $X=16$, $Y = 0.3282$, i.e. next year's Estimated Dividend Payout Ratio (2080/81)

Where, Y = expected value of the Dividend Payout Ratio

X = time dimension when base year 2065/66 = 1

Table 6 discloses the average Dividend Payout ratio of 0.266 which indicates that company is distributing 26.6 percent of its net income as dividend. Lower dividend payment indicates that NTC is retaining more portion of its earning which could be used for any business purpose, loan payment and any other official purpose. Fiscal Year 2074/75 shows highest dividend payment of 40% which is higher than average dividend payment. On the other hand, 2066/67 shows lowest dividend payment of 13%.

Straight line trend shows increasing trend in dividend payment of the company. If the trend goes on increasing by the same portion, the average dividend payment for the coming fiscal year 2080/81 will be 32.82 percent which is higher by 6.22 percent comparing to the average value of fiscal year 2079/80 which indicates better result in dividend payment in the coming fiscal year.

4.1.1.6 Earnings per Share

Table 7

Calculation of Earnings per Share and its straight-line trend equation

Fiscal Year	Earnings per Share	Straight Line Trends
2065/66	72.4	67
2066/67	70.6	70
2067/68	80.8	74
2068/69	77.37	78
2069/70	75.33	80
2070/71	77.02	83
2071/72	92.48	86
2072/73	81.05	90
2073/74	88.47	93
2074/75	100.11	96
2075/76	104.45	100
2076/77	116.56	104
2077/78	103.28	107
2078/79	115.15	112
2079/80	110.5	115
Average	91.038	
Earnings per Share		

Source. Annual Report of Nepal Telecom

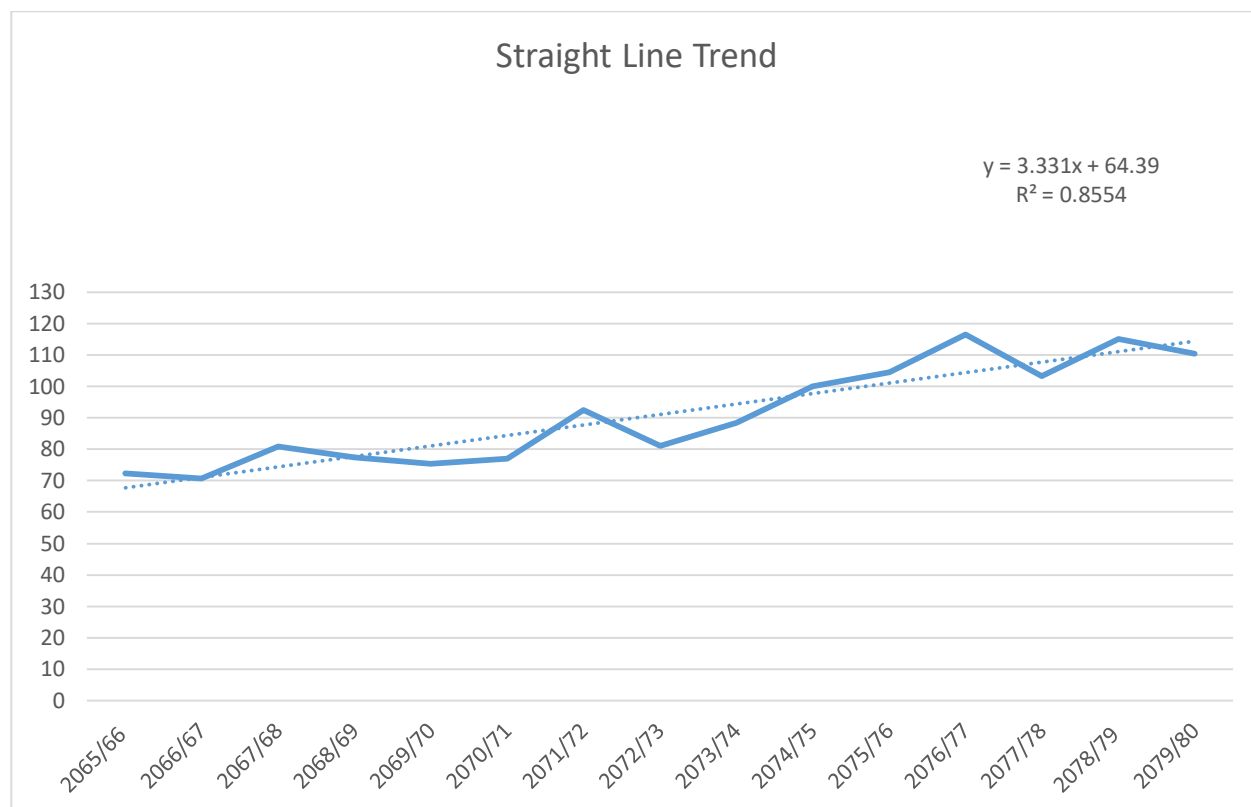


Figure 8. Straight line trend equation from Earnings per Share

$$R^2 = 0.8554$$

$$\text{Ratio's Straight-Line Trend: } Y = 64.39 + 3.31(X)$$

Value of Straight-Line Trend

If $X=16$, $Y= 117.686$, i.e. next year's Estimated Earnings per Share for next year (2080/81)

Where, Y = expected value of the Earnings per Share

X = time dimension when base year 2065/66 = 1

Table 7 discloses the average Earnings per Share of 91.038 which indicates that each share of the company's stock is associated with earnings of rupees 91.038. This value indicates strong profitability on a basis of individual share. High value of EPS is often preferred from the investors of the company. Fiscal Year 2076/77 shows highest EPS of rupees 116.56 which is highly appreciable. On the other hand, Fiscal Year 2066/67 shows lowest EPS. EPS of the company is growing gradually over the year.

Straight line trend shows increasing trend in Earnings per Share of the company. If the trend goes on increasing by the same portion, earnings per share for the coming fiscal year 2080/81 will be rupees 117.686 which will be the highest EPS till date. Increasing trend of EPS shows better

performance of the company. NTC, with increasing EPS indicates healthy and growing business which provides attractive investment opportunities.

4.1.1.7 Return on Assets

Table 8

Calculation of Return on Assets and its straight-line trend equation

Fiscal Year	Net Income	Total Assets	Return on Assets	Straight Line Trends
2065/66	13,633,989,872	46,280,626,076	0.294593894	0.2
2066/67	10,775,154,258	52,504,646,811	0.205222869	0.18
2067/68	12,120,298,794	76,021,558,762	0.15943239	0.17
2068/69	11,605,269,582	105,918,327,392	0.109568097	0.16
2069/70	11,299,175,997	114,225,129,445	0.098920229	0.15
2070/71	11,553,724,269	95,574,899,978	0.120886595	0.13
2071/72	13,872,722,801	103,798,923,189	0.133649968	0.12
2072/73	12,157,189,234	115,289,871,096	0.105448893	0.11
2073/74	15,016,834,931	120,761,220,225	0.124351467	0.1
2074/75	15,667,500,527	129,725,153,657	0.120774577	0.09
2075/76	10,208,168,450	133,582,356,606	0.076418538	0.08
2076/77	8,559,580,739	142,834,028,624	0.059926761	0.07
2077/78	7,456,062	154,683,673	0.048201997	0.06
2078/79	8,380,089	65,813,055	0.127331713	0.055
2079/80	7,804,527	160,035,084	0.0487676	0.05
Average Return on Assets			0.122233039	

Source. Annual Report of Nepal Telecom

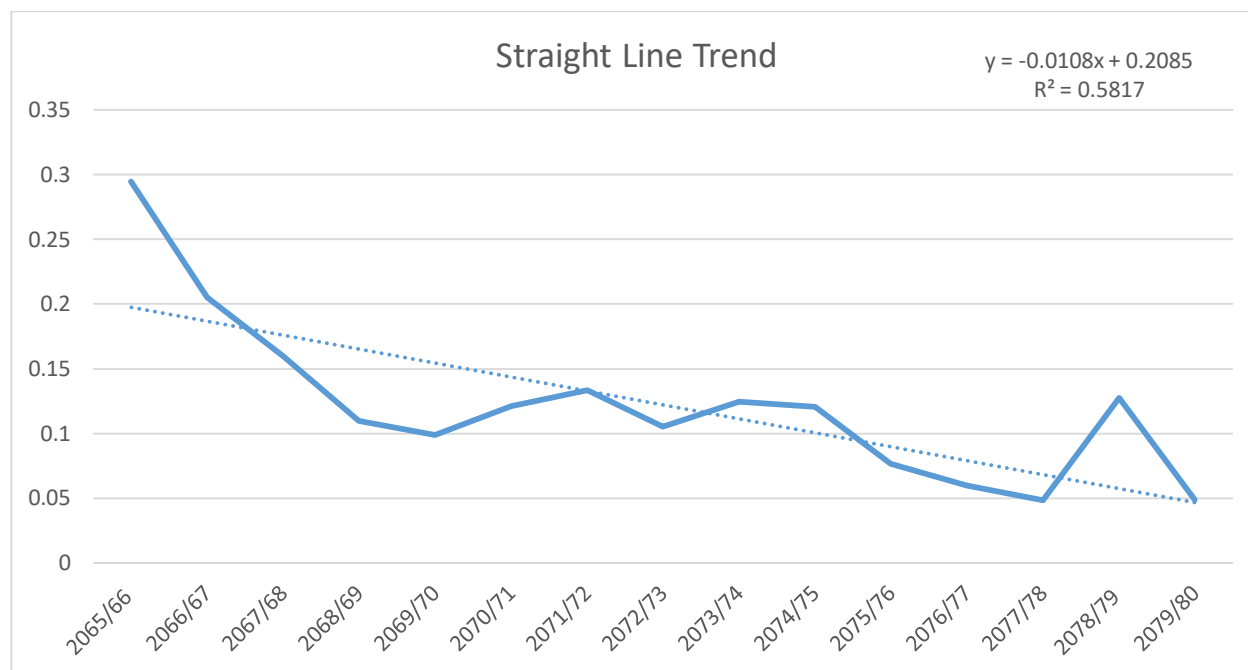


Figure 9. Straight line trend equation from Return on Assets

$$R^2 = 0.5817$$

Ratio's Straight-Line Trend: $Y = 0.2085 - 0.0108(X)$

Value of Straight-Line Trend

If $X=16$, $Y = 0.0357$, i.e. next year's Estimated Return on Assets (2080/81)

Where, $Y =$ expected value of the Return on Assets

$X =$ time dimension when base year 2065/66 = 1

Table 8 discloses Return on Assets (ROA) from the Fiscal Year 2065/66 to 2079/80. The average ROA for the selected time is found to be 12.2 percent. ROA of 12.2 percent suggests company's efficiency in using its assets for profit generation. NTC is generating profit equals to 12.2 percent of its average total assets. For every 100 rupees of assets, NTC is earning return of rupees 12.2. Higher ROA value is highly preferred by the company. Fiscal Year 2065/66 shows highest ROA of 29.46 percent which has been declined to 4.88 percent till Fiscal Year 2079/80. ROA of F/Y 2077/78 seems to be lowest.

Trend of ROA of the company seems declining every year which is not desirable. The straight trend line is in negative direction. If the ratio goes on following the trend, ROA for the F/Y 2080/81 will decline to 3.57 percent. The reason behind declining ROA of the company could be lack of optimum utilization of available assets, industry trend or declining profitability of the company.

4.1.1.8 Net Profit Margin

Table 9

Calculation of Net Profit Margin and its straight-line trend equation

Fiscal Year	Net Income	Revenue	Net Profit Margin	Straight Line Trends
2065/66	13,633,989,872	123,945,362,473	0.11	0.11
2066/67	10,775,154,258	119,723,936,200	0.09	0.115
2067/68	12,120,298,794	173,147,125,629	0.07	0.12
2068/69	11,605,269,582	77,368,463,880	0.15	0.125
2069/70	11,299,175,997	75,327,839,980	0.15	0.13
2070/71	11,553,724,269	96,281,035,575	0.12	0.135
2071/72	13,872,722,801	81,604,251,771	0.17	0.14
2072/73	12,157,189,234	121,571,892,340	0.1	0.145
2073/74	15,016,834,931	79,035,973,321	0.19	0.15
2074/75	15,667,500,527	92,161,767,806	0.17	0.155
2075/76	10,208,168,450	56,712,046,944	0.18	0.16
2076/77	8,559,580,739	45,050,424,942	0.19	0.165
2077/78	7,456,062	35,505,057	0.21	0.17
2078/79	8,380,089	55,867,260	0.15	0.175
2079/80	7,804,527	65,037,725	0.12	0.18
Average Net Profit Margin			0.144666667	

Source. Annual Report of Nepal Telecom

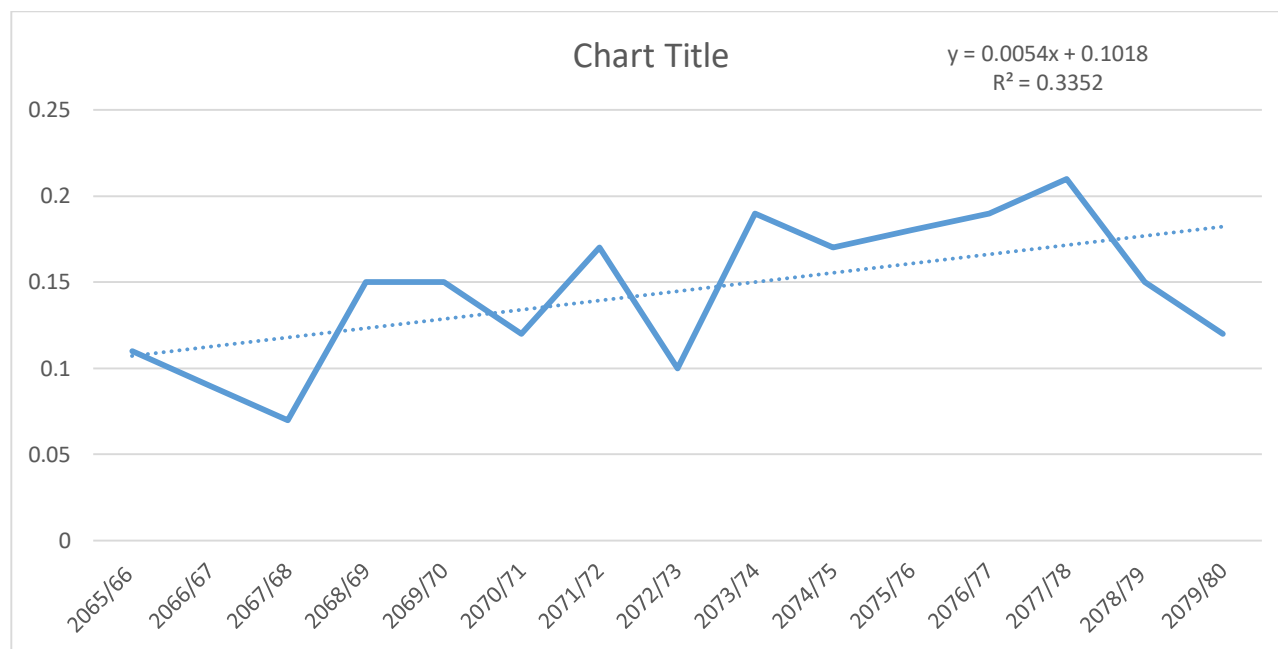


Figure 10. Straight line trend equation from Net Profit Margin

$$R^2 = 0.3352$$

$$\text{Ratio's Straight-Line Trend: } Y = 0.1018 + 0.0054(X)$$

Value of Straight-Line Trend:

If $X=16$, $Y = 0.1882$, i.e. next year's Estimated Net Profit Margin (2080/81)

Where, Y = expected value of the Net Profit Margin

X = time dimension when base year 2065/66 = 1

Table 9 discloses Net Profit Margin (NPM) of NTC from the Fiscal Year 2065/66 to 2079/80. Table shows average NPM of NTC for 15 years to be 14.667 percent. The ratio seems slightly stable over the year. Average calculated ratio of 14.667 shows that hundred rupees sales of the company is contributing 14.467 rupees profit. Increase in Net Profit Margin is highly preferred by the company. F/Y 2077/78 shows highest NPM of 21 percent and lowest NPM of 7 percent during F/Y 2066/67.

Straight line trend shows improvement in NPM of the company over the year. Overall trend shows positive direction of ratio but can be seen slightly fluctuating over the fifteen-year period. If the ratio goes on following the trend, NPM for the F/Y 2080/81 will be 18.82 percent which is favorable to the company. This computation specifies the company's efficiency in managing its costs earning acceptable profit from its operations.

4.1.2 Correlation Analysis

The correlation within financial ratios and Dependent Variable (NPM and ROA) either positive or negative, strong or weak have been identified by means of Pearson Correlation Coefficient Model. This model would provide support in measuring whether there occurs any kind of relation between dependent and independent variables earlier than conducting regression analysis. The criterion followed was that Correlation Coefficient of 0.7 and above was strong, between 0.4 and less than 0.7 was given moderate, between 0 and less than 0.4 was considered weak. The correlation coefficient also can be used to test whether there occurs any correlation coefficient more than 0.9 ($r > 0.9$). This may result high multi collinearity which causes undependable regression model. The outcomes in Table 10 Shows weak, significant and positive correlation between Current Ratio (CR) and Net Profit Margin (NPM) where $r=0.255$ and $PV=0.358$; weak, significant and positive correlation between Quick Ratio (QR) and Net Profit Margin (NPM) where $r=0.270$ and $PV=0.331$; moderate, significant and negative correlation between Return on Shareholder's Equity (ROE) and Net Profit Margin (NPM) where $r=-0.544$ and $PV=0.036$; weak, significant and negative correlation between Debt-to-Equity Ratio (DER) and Net Profit Margin (NPM) where $r=-0.316$ and $PV=0.251$; moderate, significant and positive correlation between Earnings per Share (EPS) and Net Profit Margin (NPM) where $r=0.578$ and $PV=0.024$; moderate, significant and negative correlation between Return on Capital Employed (ROCE) and Net Profit Margin (NPM) where $r=-0.490$ and $PV=0.063$; moderate, significant and positive correlation between Dividend Payout Ratio (DPR) and Net Profit Margin (NPM) where $r=0.492$ and $PV=0.062$, weak, significant and positive correlation between Current Ratio (CR) and Return on Assets (ROA) where $r=0.321$ and $PV=0.243$; weak, significant and positive correlation between Quick Ratio (QR) and Return on Assets (ROA) where $r=0.325$ and $PV=0.237$; strong, significant and positive correlation between Return on Shareholder's Equity (ROE) and Return on Assets (ROA) where $r=0.762$ and $PV=0.001$; strong, significant and positive correlation between Debt-to-Equity Ratio (DER) and Return on Assets (ROA) where $r=0.813$ and $PV=0.001$; moderate, significant and negative correlation between Earnings per Share (EPS) and Return on Assets (ROA) where $r=-0.630$ and $PV=0.012$; moderate, significant and positive correlation between Return on Capital Employed (ROCE) and Return on Assets (ROA) where $r=0.590$ and $PV=0.021$; weak, significant and negative correlation between Dividend Payout Ratio (DPR) and Return on Assets (ROA) where $r=-0.241$ and $PV=0.386$.

Table 10
Correlation between financial ratios and dependent variables

Correlations		NPM	ROA	CR	QR	ROE	DER	EPS	ROCE	DPR
NPM	Pearson	1								
	Correlation Sig. (2-tailed)									
ROA	Pearson	-.240	1							
	Correlation Sig. (2-tailed)	.388								
CR	Pearson	.255	.321	1						
	Correlation Sig. (2-tailed)	.358	.243							
QR	Pearson	.270	.325	.998**	1					
	Correlation Sig. (2-tailed)	.331	.237	<.001						
ROE	Pearson	-.544*	.762**	.461	.438	1				
	Correlation Sig. (2-tailed)	.063	<.001	.084	.103					
DER	Pearson	-.316	.813**	.242	.251	.511	1			
	Correlation Sig. (2-tailed)	.251	<.001	.386	.367	.052				
EPS	Pearson	.578*	-.630*	-.168	-.147	-.880**	-.439	1		
	Correlation Sig. (2-tailed)	.024	.012	.551	.602	<.001	.101			
ROCE	Pearson	-.490	.590*	-.022	-.029	.619*	.541*	-.764**	1	
	Correlation Sig. (2-tailed)	.063	.021	.937	.920	.014	.037	<.001		
DPR	Pearson	-.492	-.241	.167	.148	-.059	-.234	.275	-.139	1
	Correlation Sig. (2-tailed)	.062	.386	.552	.598	.835	.401	.321	.622	

*. Correlation is significant at the 0.05 level (2-tailed)

** . Correlation is significant at the 0.01 level (2-tailed)

4.1.3 Regression Analysis

Table 11

Regression Analysis using dependent variable (ROA)

Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.947 ^a	.896	.792	.02883

a. Predictors: (Constant), CR, ROCE, DPR, DER, ROE, EPS, QR

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.050	7	.007	8.625	.005 ^b
	Residual	.006	7	.001		
Total		.056	14			

a. Dependent Variable: ROA

b. Predictors: (Constant), CR, ROCE, DPR, DER, ROE, EPS, QR

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.186	.225		-.826	.436
	CR	-1.257	.850	-4.846	-1.479	.183
	QR	1.221	.846	4.642	1.443	.192
	ROE	1.106	.390	1.170	2.837	.025
	DER	.113	.051	.392	2.188	.065
	EPS	.002	.002	.509	1.141	.292
	ROCE	.001	.003	.055	.226	.828
	DPR	-.047	.091	-.092	-.522	.618

a. Dependent Variable: ROA

In the regression model, an adjusted $R^2=0.896$ indicates that approximately 89.6% of the variability in the dependent variable was clarified with the independent variable. This shows a high value which designates a good fit. Standard error 0.2883 indicates the average distance between the observed value and predicted value.

Significance level (sig.) 0.05 is considered as threshold for defining whether the variables are statistically significant. As p-values are less than 0.05, it has been presented as statistically significant.

The result of Current Ratio (CR) in the table 11 shows beta coefficient (β) of -1.257 which indicates that one-unit changes in CR results decline in ROA by 1.257 unit. As p-value is more than 0.05 ($0.183 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Quick Ratio (QR) in the table 11 shows beta coefficient (β) of 1.221 which indicates that one-unit changes in QR results increase in ROA by 1.221 unit. As p-value is more than 0.05 ($0.192 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Return on Shareholder's Equity (ROE) in the table 11 shows beta coefficient (β) of 1.106 which indicates that one-unit changes in ROE results increase in ROA by 1.106 unit. As p-value is less than 0.05 ($0.025 < 0.05$), the relationship of dependent variable with independent variables seems to be statistically significant.

The result of Debt-to-Equity Ratio (DER) in the table 11 shows beta coefficient (β) of 0.113 which indicates that one-unit changes in DER results increase in ROA by 0.113 unit. As p-value is greater than 0.05 ($0.065 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Earnings per Share (EPS) in the table 11 shows beta coefficient (β) of 0.002 which indicates that one-unit changes in EPS results increase in ROA by 0.002 unit. As p-value is greater than 0.05 ($0.292 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Return on Capital Employed (ROCE) in the table 11 shows beta coefficient (β) of 0.001 which indicates that one-unit changes in ROCE results increase in ROA by 0.001 unit. As p-value is greater than 0.05 ($0.828 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Dividend Payout Ratio (DPR) in the table 11 shows beta coefficient (β) of -0.047 which indicates that one-unit changes in EPS results decline in DPR by 0.047 unit. As p-value is greater than 0.05 ($0.618 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

Table 12

Regression Analysis using dependent variable (NPM)

Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.947 ^a	.897	.794	.01878

a. Predictors: (Constant), CR, ROCE, DPR, DER, ROE, EPS, QR

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.022	7	.003	8.707	.005 ^b
	Residual	.002	7	.000		
Total		.024	14			

a. Dependent Variable: NPM

b. Predictors: (Constant), CR, ROCE, DPR, DER, ROE, EPS, QR

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	

1	(Constant)	.461	.147		3.141	.016
	QR	.720	.551	4.186	1.306	.233
	ROE	-1.108	.254	-1.791	-4.360	.003
	DER	.031	.034	.164	.919	.389
	EPS	-.004	.001	-1.404	-3.159	.016
	ROCE	-.004	.002	-.403	-1.656	.142
	DPR	.243	.059	.720	4.110	.005
	CR	-.594	.554	-3.503	-1.073	.319

a. Dependent Variable: NPM

In the regression model, an adjusted $R^2=0.794$ indicates that approximately 79.4% of the variability in the dependent variable has been clarified by the independent variable. This shows a high value which designates a good fit. Standard error 0.01878 indicates a fewer distance between the observed value and predicted value.

The result of Current Ratio (CR) in the table 12 shows beta coefficient (β) of -0.594 which indicates that one-unit changes in CR results decline in NPM by 0.594 unit. As p-value is more than 0.05 ($0.319 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Quick Ratio (QR) in the table 12 shows beta coefficient (β) of 0.461 which indicates that one-unit changes in QR results increase in NPM by 0.461 unit. As p-value is more than 0.05 ($0.233 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Return on Shareholder's Equity (ROE) in the table 12 shows beta coefficient (β) of -1.108 which indicates that one-unit changes in ROE results decrease in NPM by 1.108 unit. As p-value is less than 0.05 ($0.003 < 0.05$), the relationship of dependent variable with independent variables seems to be statistically significant.

The result of Debt-to-Equity Ratio (DER) in the table 12 shows beta coefficient (β) of 0.031 which indicates that one-unit changes in DER results increase in NPM by 0.031 unit. As p-value is greater

than 0.05 ($0.389 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Earnings per Share (EPS) in the table 12 shows beta coefficient (β) of -0.004 which indicates that one-unit changes in EPS results decrease in NPM by 0.004 unit. As p-value is less than 0.05 ($0.016 < 0.05$), the relationship of dependent variable with independent variables seems to be statistically significant.

The result of Return on Capital Employed (ROCE) in the table 12 shows beta coefficient (β) of -0.004 which indicates that one-unit changes in ROCE results decline in NPM by 0.004 unit. As p-value is greater than 0.05 ($0.142 > 0.05$), the relationship of dependent variable with independent variables doesn't seem to be statistically significant.

The result of Dividend Payout Ratio (DPR) in the table 12 shows beta coefficient (β) of 0.243 which indicates that one-unit changes in EPS results increase in NPM by 0.243 unit. As p-value is less than 0.05 ($0.005 < 0.05$), the relationship of dependent variable with independent variables seems to be statistically significant.

4.2 Discussion

It can be seen that CR has no significant value of 0.183. Hence, this study found no relationship between Current Ratio and Return on Assets. This result is not reliable with the conclusion of Jamil & Ghafeer (2019), which showed positive relation between CR and ROA (Jamil & Ghafeer, 2019).

From the study it was found that QR has no significant value of 0.192. Hence, this study found no relationship between Quick Ratio and Return on Assets. This result is not steady with the findings of Durrah (2016), which showed positive relation between QR and ROA (Rahman, 2016).

Study shows that ROE has a significant value of 0.02. Hence, his study found positive relationship between Return on Equity and Return on Assets. This result aligns with the findings of Didar and Didar (2019), which shows value of ROA getting influenced with the changes in ROE (Kamruzzaman Didar, 2019).

It can be seen that DER has no significant value of 0.065. Hence, this study found no relationship between Debt-to-Equity Ratio and Return on Assets. This result is not equivalent with the findings of Didar (2019), which shows positive relation between DER and ROA.

From the study it was found that EPS has no significant value of 0.292. Hence, this study found no relationship between Earnings per share and Return on Assets. This result is not contradictory with the findings of Didar (2019), which shows ROA negatively getting influenced with the changes in EPS.

Study shows that ROCE has no significant value of 0.828. Hence, this study found no relationship between Return on Capital Employed and Return on Assets. This result is parallel in line with the result of Shrotriya (2019), which shows no any relationship between ROCE and ROA (Shrotriya, 2019).

It can be seen that DPR has no significant value of 0.618. Hence, this study found no relationship between Dividend Payout Ratio and Return on Assets. This result is not contradictory to the results of Imelda (2023), which shows DPR is significant on the ROA (Imelda, 2023).

From the study it was found that CR has no significant value of 0.319. Hence, this study found no relationship between Current Ratio and Net Profit Margin. This result is contradictory with the findings of Banykhaled (2021), which shows CR is no significant on the NPM (Banykhaled, 2021).

Study shows that QR has no significant value of 0.233. Hence, this study found no relationship between Quick Ratio and Net Profit Margin. This result is not aligned with the findings of Didar (2019), which shows QR is significant on the NPM.

It can be seen that ROE has significant value of 0.003. Hence, this study found relationship between Return on Shareholder's equity and Net Profit Margin. This result is similar with the findings of Banykhaled (2021), which shows ROE is significant on the NPM.

From the study it was found that DER has no significant value of 0.389. Hence, this study found no relationship between debt-to-equity ratio and Net Profit Margin. This finding is not reliable with the conclusion of Banykhaled (2021), which shows DER significant to NPM.

This study shows that EPS has significant value of 0.016. Hence, this study found relationship between Earnings per share and Net Profit Margin. This result is similar with the findings of Banykhaled (2021), which shows EPS is significant on the NPM.

It was found that ROCE has no significant value of 0.142. Hence, this study found no any relationship of Return on Capital Employed with Net Profit Margin. This result is contradictory with the findings of Shrotriya (2019), which shows ROCE is significant on the NPM.

It can be seen that DPR has significant value of 0.005. Hence, this study found perfect relationship between dividend payout and Net Profit Margin. This result is not constant with the result of Novyarni and Yudha (2020), which shows no significant impact of DPR on NPM (Novyarni & Yudha, 2020).

Chapter-V

Summary and Conclusion

5.1 Summary

This study discusses about the financial performance analysis of Nepal Telecom. This aims in finding out financial condition of Nepal Telecom, identify financial trend of the company and assess relation among various financial factors of the company. This study has collected financial data of Nepal Telecom since fiscal year 2065/66 to fiscal year 2079/80. This fifteen years data has been calculated and applied to fulfill the required objectives. Data has been collected from secondary sources mainly from official website of Nepal Telecom. Annual report and financial statement of the company has been analyzed to collect the required data and information for the study.

Nepal Telecom play a leading role in telecommunication sector of Nepal. It is government owned organization whose headquarter is located in Kathmandu and various branches are in operation in different parts of the country to provide communication services all over the country. Nepal Telecom aims in spreading services equally in every corner of the nation at its best. It is the single provider of land-line, ISDN and leased-line facilities in Nepal. According to recent data, there are near 20 million subscribers of Nepal Telecom counting all those of fixed landline, GSM mobile, CDMA and internet service. NTC is the initial operator to facilitate 4G LTE service in Nepal on a modern technology frequency band of 1800 MHz as standard for 4G in Nepal. Established in 1975, Nepal door Sanchar has played a crucial role in connecting people across Nepal and facilitating communication services. Nepal Telecom offers fixed-line telephone services for residential and business customers. Nepal Telecom has been actively involved in expanding broadband internet services in Nepal. It has been deploying fiber-optic cables to offer high-velocity internet connection to homes, workplaces, and academic institutions. Nepal Door Sanchar Company Limited is a registered company under the Companies Act, 1996. Though, the company is still popular to the community with its brand name Nepal Telecom (NT) as its listed trademark. It assists country being one of the main public tax payers to the Government. Additional to this, it bids enormous figure of employments that significantly helps administration to rationalize the joblessness rate. Therefore, healthy economic condition of this company is not the issue of company itself but it is related with general economies and civilizations at large.

Financial statement analysis is the process of evaluating and interpreting the material presented in financial statements to assess the financial performance, economic efficiency, and overall health of a corporation. Financial analysis supports in finding out the financial strength and weakness of the company for properly creating strong bond with the items mentioned in balance sheet and income statement. Financial analysis is applied to identify the firm's financial health and also to recognize its existing strength and weakness and advise activities that might permit the company to take advantages of its strengths and improve its weakness. Financial analysis includes ratio analysis, debt management ratio analysis of financial statements, statistical analysis, correlation and regression analysis and comparison with past and present data. The evaluation of firm's financial state is determined through the proper executing scheme of financial ratios. Financial statement analysis is performed by investors, lenders, financial analysts, and other shareholders to measure the financial health and performance of a company, make investment decisions, determine creditworthiness, and evaluate potential risks and rewards. Financial performance analysis of a corporation is a principal matter for each and every investor connected with an organization especially for investors, aspiring and current ones.

Various financial ratios have been used as dependent and independent variables for conducting the research work. Net Profit Margin (NPM) and Return on Assets (ROA) has been taken as dependent variables. Current Ratio, Quick Ratio, Return on Capital Employed, Return on Shareholder's Equity, Earnings per Share, Debt to Equity Ratio and Dividend Payout Ratio has been taken as independent variables. Ratio analysis, Trend analysis, correlation and regression analysis has been conducted to obtain the desired objective of the study. Ratio Analysis is a tool used to analyze the financial condition of the organization. Ratio analysis helps to make the related information comparable. A financial figure of an organization doesn't generate any meaningful information. But if it is compared with related figure, it yields significance result. Trend analysis shows in which way the financial status of an organization is going. It helps to indicate whether the financial position of an organization is improving or degrading. Study of Correlation and regression supports to discover the connection among several dependent and independent variables selected for this study.

We can realize that different variables hold different type of relation. Different variables hold strongly positive, moderately positive, weakly positive, moderately negative and weakly negative relationship with one another variable.

5.2 Conclusion

According to the study, we can conclude that Nepal Telecom is playing crucial role in providing telecommunication service all over the country. It is one and only government owned telecommunication company in Nepal. Financial condition of Nepal Telecom seems quite satisfactory for fifteen years. There we can realize certain ups and downs in financial performance due to certain circumstances. Nepal Telecom's business has slowed down due to the increased use and convenience of social media. Telephone and internet service charges are the major source of revenue for the company.

Recently, the company has pointed out in its financial report that the profit has been shrinking due to the decrease in telephone usage time due to the increasing use of social networks. Although the business of the company is slow, the financial position of the company is very strong due to the good profits earned in the past. As of mid-October, the reserve fund of the company is 78 billion 13 million rupees. According to the financial statements of the first quarter of the current financial year released by the company, the total income during this period is 10.64 billion rupees, compared to 11.4 billion rupees during this period of last year. Looking at the last 5 years, the growth rate of the company's total income is low. As a result, the net profit has not increased. It seems that the rate of dividend has decreased in recent years as the profit of the company has decreased. However, so far, the company has not reduced the limit of 40 percent in dividends to shareholders. If we compare the company's share price and dividend, its returns look better than others. The company has been giving only cash dividends every year, but in the previous financial year 2078/79, for the first time, it gave 20 percent cash as well as 20 percent share bonus. It is the only telecom company listed on the stock market. Its total capitalization is more than one and a half billion. As a result, Nepal Telecom's influence on the stock market is the biggest as a company. The price fluctuation of this company gives the biggest shock to the market. Although those who bought at the lowest price made capital gains, those who bought at the highest price are still at a loss.

Trend analysis shows that there is high fluctuation in financial status of Nepal Telecom. Organization holds enough assets to cover its liabilities. But the high fluctuation in trend create

risk in the coming fiscal years. We can see satisfying liquidity position of an organization. However, frequent fluctuation in ratio and its decreasing trend indicates financial challenges to the organization. It shows operational dynamics in a company which may hamper the future liquidity position. Return on shareholder's equity is also in declining trend. This creates challenges in maintaining or improving net earnings of an organization. Frequent decline in Return on Shareholder's Equity may lead to disappointment among company's shareholders. This suggests the company being less competent in utilizing the equity for profit generation. The corporation is trusting more on equity than loan. It is considered favorable for organization in proper utilization of equity. Return on Capital Employed is found to be quite satisfying till date. We can also realize fluctuation in distribution of dividend since decayed. Analyzing the trend, company will be increasing dividend payment in the coming fiscal year and retain less amount for other purposes like reinvestment. In the similar manner, increasing trend of EPS gives positive signal to the financial growth of an organization. Improvement in Net profit Margin proves that firm will be able to make maximum profit in the coming fiscal year.

Strong correlation among variables indicates that dependent variables highly depend upon the changes in independent variables. Moderate correlation among dependent and independent variables indicates that dependent variables doesn't hold strong relationship with the independent variables but slightly changes along with the changes in independent variables. Weak correlation indicates that there doesn't exist strong association with the dependent variables and independent variables.

Positive correlation among the variables indicates that dependent variable changes in the same direction with independent variable. For example: dependent variable increases with the increase in independent variables and vice-versa.

Negative correlation among the variables indicates that dependent variable changes in the opposite direction with independent variable. For example: dependent variable increases with the decline in independent variables and vice-versa.

5.3 Implication

This study is useful for various parties such as academics, researchers, government and company itself. The outcome of this study may benefit these group in satisfying their targeted goal regarding similar matter. Findings of the study play a significant role in perceiving organizational support

which in return influences the performance of the firm. To improve the economic status of the firm and achieve more success in future, company can formulate necessary strategy which helps to promote earnings and profitability of an organization. Company can apply recommendation mentioned in the study for the overall enhancement of an organization.

This research helps academics by promoting deeper understanding regarding the subject matter. It offers academics an intellectual simulation and challenges. It also encourages development of logical skills and enhance critical thinking power. Findings of the research also leads to the development of quality education. Academics can use research in providing idea about real world applications of academic concept on financial performance of company.

Financial analysis of the company also helps government to access the overall economic condition of company. It provides information regarding profitability, growth and revenue. Policymakers can apply financial research in formulating and adjusting economic policies. Proper consideration of the financial well-being of the company helps in designing policies which support in organizational overall stability, job creation and economic growth.

Financial research also helps government in evaluating tax contribution made by the company and overall compliance with laws and regulations. Government also can apply this information in calculating contribution of company to the government.

Company itself can apply findings and recommendation of the study for its betterment. Recommended points can be practiced by the organization to recover its down turning financial condition. Company gains insight about what can done to progress its financial health through this study.

This research will be helpful to other researchers in collecting data, information and facts about the company. This can be taken as a reference for further research work. It provides clear for additional investigation and exploration which arise from the findings of this research. This study can guide other researchers in fostering new questions, expanding scopes of work and refining methodologies. This study provides roadmap for fulfilling the research gap.

A well reputed company like Nepal Telecom should explore and expand revenue streams except focusing only on providing traditional telecommunication services. Company can expand cloud

computing, digital services, and other valuable technical services which can attract new customer and market segments.

Nepal Telecom can invest its retained earnings in expanding network infrastructure which helps in the improvement of trustable and reliable services. This leads to customer satisfaction and retention which ultimately helps in generating higher revenues. Nepal Telecom should focus on conducting research regarding cost cut analysis to recognize area of cost optimization. This might include renegotiating with suppliers, streamlining operations and applying cost-effective technologies for the improvement of overall efficiency. It should also focus on improving customer experience to hold old customers and fascinate new clients. This can be done by improving customer service, addressing gap in network coverage and investing in customer friendly interfaces.

NTC could embrace digital transformation for the improvement of internal processes and also to provide innovative services. For this company should get involved in investing to digital platforms, automation, data analytics etc. Investing in digital transformation supports company in cost reduction and maximum profit generation. Company, to remove its drawbacks could explore strategic partnerships and alliances with other telecommunications companies or technology providers. Co-operation with other companies can lead to access new market, share resources and cost-sharing.

To stay competitive in the market, NTC should highly invest in 5G technology. This helps to bit the competitors and attract customers towards own company. This helps in providing greater opportunity for high-speed internet and other highly advanced solution. NTC, in the coming days should focus on conducting market research. This helps company to identify new needs of the customers and also helps in accessing emerging trend of market. This includes setting goals, monitor performance in the market, and making needed adjustment to fulfill the desired objectives. For better performance in future, company should provide training and development facility to its employees. This helps to enhance the skills and productivity of staffs so that they can contribute in organization's operational efficiency and also improve customer service.

NTC, to improve the profitability of the company should manage existing debt levels. It should consider refinancing options to reduce cost of interest and improve financial health of an organization. It also should regularly get involved with government authorities. This helps to seek

support for the promotion of competitive telecom market. Government support and clear regulatory framework can positively impact the organization. Company also can develop branding and marketing strategy for the promotion of company's services. This includes promotional activities, strong brand presence, targeted advertising etc. This can lead to customer attraction and retention.

NTC being a single government owned Telecommunication Company in Nepal, it should practice to provide service in low cost that helps to beat the competitor's price in the market. Furthermore, a well reputed and gainful company like NTC must not falter to use the inexpensive debt to enlarge the Return of Equity. That's why the administration should give concern in using long-term loan financing and invest for innovative schemes in the future. This helps in financial growth and development of the company. Nepal Telecom as a service-oriented firm shouldn't occupy sophisticated liquidity position. For this, corporation must hold its current ratio nearby 1:1. Huge volume of cash tangled up in current assets can miss the opportunity cost. Hence, it will be good choice to make excess investment of fund in secure assets which helps to upsurge its capacity.

Implementing above recommendations by NTC requires a complete assessment of Nepal Telecom's industry dynamics, current state, and market conditions. Partnership with stakeholders, industry experts, and regulatory bodies helps to play a crucial role in attaining financial improvement and achieving targeted objective.

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